

\$322,642,626.40

North Clackamas School District No. 12

Clackamas County, Oregon

General Obligation Bonds, Series 2017

\$140,292,626.40 Series 2017A
(\$358,745,000 Maturity Amount)
(Tax-Exempt Deferred Interest Bonds)

\$182,350,000 Series 2017B
(Tax-Exempt Current
Interest Bonds)

DATED: March 2, 2017 ("Date of Delivery")

DUE: June 15, as shown on the inside cover

PURPOSE— The \$140,292,626.40 General Obligation Bonds, Series 2017A (Tax-Exempt Deferred Interest Bonds) (the "2017A Bonds") and the \$182,350,000 General Obligation Bonds, Series 2017B (Tax-Exempt Current Interest Bonds) (the "2017B Bonds") (collectively, the "Bonds") are being issued by the North Clackamas School District No. 12 in Clackamas County, Oregon (the "District"). The Bonds are being issued to finance capital costs for the District, and to pay the costs of issuance of the Bonds. See "Purpose and Use of Proceeds" herein.

RATINGS— Moody's Investors Service: "Aa2" and S&P Global Ratings: "A+" underlying and "Aa1" and "AA+" enhanced. See "Oregon School Bond Guaranty" and "Ratings" herein.

NOT BANK QUALIFIED— The District has NOT designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code").

BOOK-ENTRY ONLY SYSTEM— The Bonds will be issued, executed and delivered in fully registered form under a book-entry only system and registered in the name of Cede & Co., as owner and nominee for The Depository Trust Company ("DTC"). DTC will act as initial securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased.

PRINCIPAL AND INTEREST PAYMENTS— Principal of and interest on the Bonds will be payable by the District's Paying Agent, initially U.S. Bank National Association, to DTC which, in turn, will remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Bonds at the address appearing upon the registration books on the last business day (the "Record Date") of the month preceding a payment date.

Deferred Interest Bonds. The 2017A Bonds are being issued as deferred interest bonds and will be dated as of the date of their delivery, payable only at maturity. Interest on the 2017A Bonds will be payable only at maturity, and will be compounded semiannually (for the accreted value of the 2017A Bonds of each maturity as of each June 15 and December 15, see "Accreted Value Table" herein). The 2017A Bonds will be issued in "Maturity Amount" denominations of \$5,000, or integral multiples thereof within a maturity. The "Maturity Amount" for the 2017A Bonds represents the total amount of principal and the compounded interest accreted thereon to the maturity date.

Current Interest Bonds. The 2017B Bonds are being issued as current interest bonds. Interest on the 2017B Bonds will be paid on December 15, 2017 and semiannually thereafter on June 15 and December 15 of each year to the maturity or earlier redemption of the 2017B Bonds.

MATURITY SCHEDULE— See inside front cover.

REDEMPTION— The Bonds are subject to optional redemption prior to their stated maturities as further described herein.

SECURITY— The Bonds are general obligations of the District. Pursuant to ORS 287A.315 the District has pledged its full faith and credit and taxing power to pay the Bonds. The District covenants for the benefit of the owners of the Bonds that the District shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the District in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the Bonds promptly as they mature. The Bonds do not constitute a debt or indebtedness of Clackamas County, the State of Oregon, or any political subdivision thereof other than the District.

Payment of the principal of and interest on the Bonds when due is guaranteed by the full faith and credit of the
State of Oregon

under the provisions of the Oregon School Bond Guaranty Act. See "Oregon School Bond Guaranty" within.

TAX MATTERS— *In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District ("Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2017A Bonds and 2017B Bonds are excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2017A Bonds and 2017B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, interest on the Bonds is exempt from State of Oregon personal income tax under existing law. See "Tax Matters" herein. Certain legal matters will be passed upon for Morgan Stanley & Co LLC and Wells Fargo Bank, National Association by their Counsel Orrick, Herrington and Sutcliffe LLP.*

DELIVERY— The Bonds are offered for sale to the original purchaser subject to the final approving legal opinion of Bond Counsel. It is expected that the Bonds will be available for delivery to the Paying Agent for Fast Automated Securities Transfer on behalf of DTC, on or about the Date of Delivery.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

North Clackamas School District No. 12

Clackamas County, Oregon

General Obligation Bonds, Series 2017

DATED: Date of Delivery

DUE: June 15, as shown below

MATURITY SCHEDULE —

\$140,292,626.40 General Obligation Bonds, Series 2017A
(\$358,745,000 Maturity Amount) (Tax-Exempt Deferred Interest Bonds)

Due June 15	Original Principal Amounts	Final Maturity Amount	Principal per \$5,000 at Maturity	Approximate Yield to Maturity	CUSIP® 179093
2019	\$ 8,098,658.40	\$ 8,365,000	\$ 4,840.80	1.420%	HF9
2034	4,591,542.75	9,435,000	2,433.25	4.210	HJ1
2035	18,915,088.50	41,475,000	2,280.30	4.340	HK8
2036	18,457,282.60	42,890,000	2,151.70	4.420	HL6
2038	18,686,311.85	48,085,000	1,943.05	4.490	HN2
2039	18,296,025.00	49,650,000	1,842.50	4.530	HP7
2040	18,022,723.40	51,265,000	1,757.80	4.540	HQ5
2041	17,749,016.90	52,930,000	1,676.65	4.550	HR3
2042	17,475,977.00	54,650,000	1,598.90	4.560	HS1

\$182,350,000 General Obligation Bonds, Series 2017B (Tax-Exempt Current Interest Bonds)

Due June 15	Amounts	Interest Rates	Yields	CUSIP® 179093	Due June 15	Amounts	Interest Rates	Yields	CUSIP® 179093
2020	\$ 2,175,000	4.000%	1.440%	HU6	2030	\$ 7,325,000	5.000%	2.880% ⁽¹⁾	JE0
2021	2,715,000	5.000	1.650	HV4	2031	7,985,000	5.000	2.960 ⁽¹⁾	JF7
2022	3,150,000	5.000	1.840	HW2	2032	14,480,000	5.000	3.020 ⁽¹⁾	JG5
2023	3,575,000	5.000	2.000	HX0	2033	35,525,000	5.000	3.080 ⁽¹⁾	JH3
2024	4,025,000	5.000	2.180	HY8	2034	29,200,000	5.000	3.140 ⁽¹⁾	JJ9
2025	4,500,000	5.000	2.350	HZ5					
2026	5,005,000	5.000	2.480	JA8	2037	44,355,000	5.000	3.260 ⁽¹⁾	JM2
2027	5,540,000	5.000	2.590	JB6					
2028	5,785,000	5.000	2.710 ⁽¹⁾	JC4					
2029	7,010,000	5.000	2.790 ⁽¹⁾	JD2					

(1) Priced to the optional redemption date of June 15, 2027.

Piper Jaffray & Co., Morgan Stanley & Co. LLC and Wells Fargo Bank, National Association (collectively, the "Underwriters") have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The District makes no representation regarding the accuracy or completeness of the information provided for matters relating to DTC and its book-entry system, the State and the State School Bond Guaranty, the Paying Agent and the information under the heading "Underwriting."

The CUSIP® numbers herein are provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Capital IQ, a division of S&P Global Inc. CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. Neither the District nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

No website mentioned in this Official Statement is part of this Official Statement, and readers should not rely upon any information presented on any such website in determining whether to purchase the Bonds. Any references to any website mentioned in this Official Statement are not hyperlinks and do not incorporate such websites by reference.

In connection with this offering, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The public offering prices or yields set forth on the inside cover pages hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside cover pages hereof.

No dealer, broker, salesman or other person has been authorized by the District or the Underwriters to give information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The prices at which the Bonds are offered to the public by the Underwriters (and the yields resulting therefrom) may vary from the initial public offering prices appearing on this inside cover page hereof. In addition, the Underwriters may allow concessions or discounts from such initial public offering prices to dealers and others. In connection with the offering of the Bonds, the Underwriters may effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the States in which the Bonds have been registered or qualified and the exemption from the registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these States nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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North Clackamas School District No. 12

12400 SE Freeman Way
Milwaukie, Oregon 97222
(503) 353-6000

Board of Directors

Rein Vaga
Steven Schroedl
Mitzi Bauer
Trisha Claxton
Tory McVay
Lee Merrick
Vivian Scott

Chair
Vice-Chair
Director
Director
Director
Director
Director

School Administrative Staff

Matt Utterback
Mary Knigge
Ron Stewart

Superintendent
Chief Financial Officer
Assistant Superintendent Operations

Bond Counsel

Hawkins Delafield & Wood LLP
Portland, Oregon
(503) 402-1320

Paying Agent

U.S. Bank National Association
Global Corporate Trust Services
Portland, Oregon
(503) 464-3757

Municipal Advisor

D.A. Davidson & Co.
Portland, Oregon
(503) 863-5094

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OFFICIAL STATEMENT
North Clackamas School District No. 12
Clackamas County, Oregon

\$322,642,626.40

General Obligation Bonds, Series 2017

\$140,292,626.40 Series 2017A
(\$358,745,000 Maturity Amount)
(Tax-Exempt Deferred Interest Bonds)

\$182,350,000 Series 2017B
(Tax-Exempt Current
Interest Bonds)

North Clackamas School District No. 12 in Clackamas County, Oregon (the "District"), a school district duly organized and existing under and by virtue of the laws of the State of Oregon (the "State") furnishes this Official Statement in connection with the offering of \$140,292,626.40 General Obligation Bonds, Series 2017A (Tax-Exempt Deferred Interest Bonds) (the "2017A Bonds") and the \$182,350,000 General Obligation Bonds, Series 2017B (Tax-Exempt Current Interest Bonds) (the "2017B Bonds," collectively, the "Bonds"), dated the Date of Delivery. This Official Statement, which includes the cover page, inside cover pages, and appendices, provides information concerning the District and the Bonds.

Certain statements contained in this Official Statement do not reflect historical facts, but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as "estimated," "projected," "anticipate," "expect," "intend," "plan," "believe" and similar expressions are intended to identify forward-looking statements. All projections, assumptions and other forward-looking statements are expressly qualified in the entirety by the cautionary statements set forth in this Official Statement.

Description of the Bonds

Principal Amount, Date, Interest Rates and Maturities

The Bonds will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement.

Deferred Interest Bonds. The 2017A Bonds will be issued as deferred interest bonds (the "Deferred Interest Bonds") in the aggregate principal amount posted on the inside cover of this Official Statement and will be dated the Date of Delivery. The original purchase price plus the total amount of interest accrued with respect to a Deferred Interest Bond (together, the "Accreted Value") will not necessarily equal the market value of that Deferred Interest Bond at any time. The market value of a Deferred Interest Bond is determined by a number of factors, including but not limited to the yield on that Deferred Interest Bond, yields available on other taxable and tax-exempt investments, and general market conditions. Purchasers who may have to sell Deferred Interest Bonds prior to maturity should consider the market risk associated with deferred interest bonds.

The stated approximate yield on the Deferred Interest Bonds is determined based on the assumption that the Deferred Interest Bonds will be held to maturity. The yield would be affected if the Deferred Interest Bonds were sold prior to maturity. The resale value of the Deferred Interest Bonds will be affected by market factors, particularly prevailing market interest rates at the time of the sale. A table of accreted values for the Deferred Interest Bonds per \$5,000 Maturity Amount, based on the initial offering prices and the approximate interest rates thereof is provided in this Official Statement for informational purposes only (see "Accreted Value Table" below).

The Deferred Interest Bonds will mature on the dates and in the Maturity Amounts and will bear interest until the maturity of the Deferred Interest Bonds at the rates set forth on the inside cover of this Official Statement.

Interest accruing and compounded interest on the Deferred Interest Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Accreted Value Table

Date	6/15/2019 1.42%	6/15/2034 4.21%	6/15/2035 4.34%	6/15/2036 4.42%	6/15/2037 4.48%	6/15/2038 4.49%	6/15/2039 4.53%	6/15/2040 4.54%	6/15/2041 4.55%	6/15/2042 4.56%
3/2/2017	\$ 4,840.80	\$ 2,433.25	\$ 2,280.30	\$ 2,151.70	\$ 2,035.30	\$ 1,943.05	\$ 1,842.50	\$ 1,757.80	\$ 1,676.65	\$ 1,598.90
6/15/2017	4,860.45	2,462.45	2,308.45	2,178.80	2,061.25	1,967.85	1,866.25	1,780.50	1,698.35	1,619.65
12/15/2017	4,894.95	2,514.30	2,358.55	2,226.95	2,107.40	2,012.05	1,908.55	1,820.95	1,737.00	1,656.60
6/15/2018	4,929.70	2,567.20	2,409.75	2,276.15	2,154.65	2,057.20	1,951.75	1,862.25	1,776.50	1,694.35
12/15/2018	4,964.75	2,621.25	2,462.05	2,326.45	2,202.90	2,103.40	1,996.00	1,904.55	1,816.95	1,733.00
6/15/2019	5,000.00	2,676.45	2,515.45	2,377.90	2,252.25	2,150.65	2,041.20	1,947.75	1,858.25	1,772.50
12/15/2019	-	2,732.75	2,570.05	2,430.45	2,302.70	2,198.90	2,087.45	1,992.00	1,900.55	1,812.95
6/15/2020	-	2,790.30	2,625.80	2,484.15	2,354.25	2,248.30	2,134.70	2,037.20	1,943.75	1,854.25
12/15/2020	-	2,849.05	2,682.80	2,539.05	2,407.00	2,298.75	2,183.05	2,083.45	1,988.00	1,896.55
6/15/2021	-	2,909.00	2,741.00	2,595.15	2,460.95	2,350.35	2,232.50	2,130.75	2,033.20	1,939.80
12/15/2021	-	2,970.25	2,800.50	2,652.50	2,516.05	2,403.15	2,283.05	2,179.10	2,079.50	1,984.00
6/15/2022	-	3,032.75	2,861.25	2,711.15	2,572.40	2,457.10	2,334.80	2,228.60	2,126.80	2,029.25
12/15/2022	-	3,096.60	2,923.35	2,771.05	2,630.05	2,512.25	2,387.65	2,279.15	2,175.15	2,075.50
6/15/2023	-	3,161.80	2,986.80	2,832.30	2,688.95	2,568.65	2,441.75	2,330.90	2,224.65	2,122.85
12/15/2023	-	3,228.35	3,051.60	2,894.90	2,749.20	2,626.30	2,497.05	2,383.80	2,275.25	2,171.25
6/15/2024	-	3,296.30	3,117.85	2,958.85	2,810.75	2,685.25	2,553.60	2,437.95	2,327.05	2,220.75
12/15/2024	-	3,365.70	3,185.50	3,024.25	2,873.70	2,745.55	2,611.45	2,493.25	2,379.95	2,271.40
6/15/2025	-	3,436.55	3,254.60	3,091.10	2,938.10	2,807.20	2,670.60	2,549.85	2,434.10	2,323.15
12/15/2025	-	3,508.85	3,325.25	3,159.40	3,003.90	2,870.20	2,731.10	2,607.75	2,489.50	2,376.15
6/15/2026	-	3,582.75	3,397.40	3,229.25	3,071.20	2,934.65	2,792.95	2,666.95	2,546.15	2,430.30
12/15/2026	-	3,658.15	3,471.10	3,300.60	3,140.00	3,000.55	2,856.20	2,727.50	2,604.05	2,485.75
6/15/2027	-	3,735.15	3,546.45	3,373.55	3,210.35	3,067.90	2,920.90	2,789.40	2,663.30	2,542.40
12/15/2027	-	3,813.80	3,623.40	3,448.10	3,282.25	3,136.75	2,987.05	2,852.70	2,723.90	2,600.35
6/15/2028	-	3,894.05	3,702.05	3,524.30	3,355.75	3,207.20	3,054.70	2,917.50	2,785.85	2,659.65
12/15/2028	-	3,976.05	3,782.35	3,602.20	3,430.95	3,279.20	3,123.90	2,983.70	2,849.25	2,720.30
6/15/2029	-	4,059.75	3,864.45	3,681.80	3,507.80	3,352.80	3,194.65	3,051.45	2,914.05	2,782.30
12/15/2029	-	4,145.20	3,948.30	3,763.15	3,586.35	3,428.10	3,267.05	3,120.70	2,980.35	2,845.75
6/15/2030	-	4,232.45	4,034.00	3,846.35	3,666.70	3,505.05	3,341.05	3,191.55	3,048.15	2,910.65
12/15/2030	-	4,321.55	4,121.50	3,931.35	3,748.85	3,583.75	3,416.70	3,264.00	3,117.50	2,977.00
6/15/2031	-	4,412.50	4,210.95	4,018.20	3,832.80	3,664.20	3,494.10	3,338.10	3,188.45	3,044.90
12/15/2031	-	4,505.40	4,302.35	4,107.00	3,918.65	3,746.45	3,573.25	3,413.85	3,260.95	3,114.30
6/15/2032	-	4,600.25	4,395.70	4,197.80	4,006.45	3,830.55	3,654.15	3,491.35	3,335.15	3,185.30
12/15/2032	-	4,697.05	4,491.10	4,290.55	4,096.20	3,916.55	3,736.95	3,570.60	3,411.05	3,257.95
6/15/2033	-	4,795.95	4,588.55	4,385.40	4,187.95	4,004.50	3,821.60	3,651.65	3,488.65	3,332.20
12/15/2033	-	4,896.90	4,688.10	4,482.30	4,281.75	4,094.40	3,908.15	3,734.55	3,568.00	3,408.20
6/15/2034	-	5,000.00	4,789.85	4,581.35	4,377.65	4,186.30	3,996.65	3,819.35	3,649.15	3,485.90
12/15/2034	-	-	4,893.80	4,682.60	4,475.70	4,280.30	4,087.20	3,906.05	3,732.20	3,565.40
6/15/2035	-	-	5,000.00	4,786.10	4,576.00	4,376.40	4,179.75	3,994.70	3,817.10	3,646.65
12/15/2035	-	-	-	4,891.85	4,678.50	4,474.65	4,274.45	4,085.40	3,903.95	3,729.80
6/15/2036	-	-	-	5,000.00	4,783.30	4,575.10	4,371.25	4,178.10	3,992.75	3,814.85
12/15/2036	-	-	-	-	4,890.45	4,677.80	4,470.25	4,272.95	4,083.60	3,901.85
6/15/2037	-	-	-	-	5,000.00	4,782.80	4,571.50	4,369.95	4,176.50	3,990.80
12/15/2037	-	-	-	-	-	4,890.20	4,675.05	4,469.15	4,271.50	4,081.80
6/15/2038	-	-	-	-	-	5,000.00	4,780.95	4,570.60	4,368.70	4,174.85
12/15/2038	-	-	-	-	-	-	4,889.25	4,674.35	4,468.05	4,270.05
6/15/2039	-	-	-	-	-	-	5,000.00	4,780.50	4,569.70	4,367.40
12/15/2039	-	-	-	-	-	-	-	4,889.00	4,673.70	4,467.00
6/15/2040	-	-	-	-	-	-	-	5,000.00	4,780.00	4,568.85
12/15/2040	-	-	-	-	-	-	-	-	4,888.75	4,673.00
6/15/2041	-	-	-	-	-	-	-	-	5,000.00	4,779.55
12/15/2041	-	-	-	-	-	-	-	-	-	4,888.50
6/15/2042	-	-	-	-	-	-	-	-	-	5,000.00

Current Interest Bonds. The 2017B Bonds will be issued as current interest bonds (the “Current Interest Bonds”) in the aggregate principal amounts posted on the inside cover of this Official Statement and will be dated and bear interest from the Date of Delivery. Interest on the Current Interest Bonds is payable semiannually on June 15 and December 15 of each year, commencing December 15, 2017, until the maturity or earlier

redemption of the Current Interest Bonds and will be computed on the basis of a 360-day year composed of twelve 30-day months.

Paying Agent and Registration Features

Paying Agent. The principal of and interest on the Bonds will be payable by U.S. Bank National Association, Global Corporate Trust Services (the “Paying Agent” and “Registrar”) to The Depository Trust Company (“DTC”), which, in turn, is obligated to remit such principal and interest to its participants (“DTC Participants”) for subsequent disbursement to the persons in whose names such Bonds are registered (the “Beneficial Owners”) of the Bonds, as further described in Appendix C attached hereto.

Book-Entry System. The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co. as owner and as nominee for DTC. DTC will act as securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds. See “Appendix C – Book Entry Only System” for additional information.

Procedure in the Event of Revisions of Book-Entry Transfer System. If the District discontinues maintaining the Bonds in book-entry only form, the District shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in the Bonds regarding registration, transfer and exchange of Bonds shall apply. Thereafter, the principal of the Bonds will be payable upon due presentment and surrender thereof at the principal office of the Bond Registrar; interest on the Bonds will be mailed to the persons in whose names such Bonds are registered, at the address appearing upon the registration books on the last business day of the month preceding a payment date (the “Record Date”), and the Bonds will be transferable as provided in the Bonds.

Redemption Provisions

Optional Redemption. The 2017A Bonds maturing on June 15, 2034 and on any date thereafter are subject to redemption at the option of the District prior to their stated maturity dates at any time on or after June 15, 2027, as a whole or in part, and if in part, with maturities to be selected by the District at a price of 100 percent of the accreted par value as of the date of redemption.

The 2017B Bonds maturing in years 2020 through 2027, inclusive, are not subject to optional redemption prior to maturity. The 2017B Bonds maturing on June 15, 2028 and on any date thereafter are subject to redemption at the option of the District prior to their stated maturity dates at any time on or after June 15, 2027, as a whole or in part, and if in part, with maturities to be selected by the District at a price of par, plus accrued interest, if any, to the date of redemption.

For as long as the Bonds are in book-entry only form, if fewer than all of the Bonds of a maturity are called for redemption, the selection of Bonds within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. See Appendix C attached hereto. If the Bonds are no longer held in book-entry only form, then the Paying Agent would select Bonds for redemption by lot.

Notice of Redemption (Book-Entry). So long as the Bonds are in book-entry only form, the Paying Agent shall notify DTC of an early redemption no fewer than 20 calendar days nor more than 60 calendar days prior to the date fixed for redemption, and shall provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the Bonds. Official written notice of redemption will be given by the District to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent to DTC. The District reserves the right to rescind any redemption notice as allowed in the Bonds.

Notice of Redemption (No Book-Entry). During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds (as defined herein) to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the District by mailing a copy of an official redemption notice by first class mail, postage prepaid, no fewer than 30 calendar days nor more than 60

calendar days prior to the date fixed for redemption, to the Owners of the Bonds to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. Official written notice of redemption will be given by the District to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent to Owners of the Bonds. The District reserves the right to rescind any redemption notice as allowed in the Bonds.

Conditional Notice. Any notice of optional redemption to the Bond Registrar or to the Owners may state that the optional redemption is conditional upon receipt by the Bond Registrar of moneys sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Bond Registrar to affected Owners of Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Default and Remedies

The occurrence of one or more of the following shall constitute an Event of Default under the Resolution and the Bonds:

- a. Failure by the District to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption);
- b. Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of Bonds, for a period of sixty (60) days after written notice to the District by the Owners of fifty-one (51%) percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such sixty (60) day period, it shall not constitute an Event of Default so long as corrective action is instituted by the District within the sixty (60) day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this paragraph; or,
- c. The District is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the payments.

The Owners of fifty-one (51%) percent or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default as described in (a) of this Section.

Upon the occurrence and continuance of any Event of Default the Owners of fifty-one (51%) percent or more of the principal amount of Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Resolution or the Bonds or in aid of the exercise of any power granted in the Resolution or in the Bonds or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by the Resolution or the Bonds or by law. However, the Bonds shall not be subject to acceleration.

No remedy in the Resolution conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by the Resolution or by law.

Authorization for Issuance

Ballot Measure. Article XI, Section 11 of the Oregon Constitution (“Article XI, Section 11”), requires majority voter approval for new or additional *ad valorem* property taxes for all May and November elections. The ballot measure for the Bonds was approved by a majority of the District’s voters at the November 8, 2016 election. Final election results were as follows:

Official Voter Tally

	Number of Votes	Percentage of Total Votes
Yes	35,481	62.51 %
No	21,272	37.48 %

Source: Clackamas County Elections Division, Official Results as of November 25, 2016.

The ballot measure authorized the issuance of up to \$433 million aggregate principal amount of general obligation bonds in more than one series and with each series to mature over a period not to exceed 26 years.

Under and in accordance with State laws and provisions, specifically Oregon Revised Statutes (“ORS”) Chapter 287A, the Bonds are being issued pursuant to Resolution No. R16/17-39 (the “Resolution”) adopted by the District’s Board of Directors (the “Board”) on January 19, 2017.

Purpose and Use of Proceeds

Purpose

The proceeds from the sale of the Bonds will be used to finance capital costs for the District (the “Project”) and to pay the costs of issuance of the Bonds.

Specifics on the Project follow:

- Repairs, many large-scale, in existing schools: heating, ventilation, roofing, plumbing, windows, lighting, energy efficiency, school grounds;
- Renovate facilities in eight schools: space for science, technology, engineering, mathematics courses; add vocational education equipment;
- Increase school safety: add fire alarms, fire suppression systems, school locking systems, security cameras, emergency communications outdated or missing in schools;
- Improve seismic building protection for earthquake preparedness at high-risk schools;
- Replace/Renovate 90-year old Milwaukie High School on current site;
- Address overcrowding: construct elementary school, convert Rock Creek Middle School to 4th comprehensive high school, purchase land for future school;
- Increase classroom technology with improved infrastructure for teachers and students;
- Acquire land for future relocation of school bus center, for safety;
- Rebuild, equip, and furnish school facilities; make site improvements;
- Pay bond issuance costs.

OSCIM Grant. The District has qualified to receive a grant of \$2,700,000 from the Oregon School Capital Improvement Matching (the “OSCIM”) Program. The grant, along with Bond proceeds, is expected to finance the items detailed above. Receipt of the grant is contingent upon the State issuing bonds to fund the grant and the District entering into a grant agreement with the State. The current form of grant agreement includes covenants, warranties and representations to be given by the District to the State. The grant agreement also stipulates events of default under the agreement and remedies of the State in case of a default by the District. The events of default include any false or misleading representations by the District to the State or failure to perform any covenant after notice from the State and a cure period. The remedies include requiring the District to repay grant funds that have been disbursed (including any costs of defeasing the portion of the State’s bonds, allocable costs of issuance and legal fees) and allowing the State to intercept State school fund disbursements due to the District to make these payments. If the grant was not received, terminated, or

required to be repaid, the District does not expect it would have a material impact on the District's ability to complete the Project, repay the Bonds or to operate the District.

Sources and Uses of Funds

The proceeds of the Bonds are estimated to be applied as follows:

Estimated Sources and Uses of Funds

Sources of Funds	2017A Bonds	2017B Bonds	The Bonds
Par Amount of Bonds	\$ 140,292,626.40	\$ 182,350,000.00	\$ 322,642,626.40
Original Issue Premium/(Discount)	0	30,870,341.05	30,870,341.05
Total Sources of Funds	\$ 140,292,626.40	\$ 213,220,341.05	\$ 353,512,967.45
Uses of Funds			
Project Requirements	\$ 139,515,187.63	\$ 212,456,411.41	\$ 351,971,599.04
Underwriting and Costs of Issuance	777,438.77	763,929.64	1,541,368.41
Total Uses of Funds	\$ 140,292,626.40	\$ 213,220,341.05	\$ 353,512,967.45

Security for the Bonds

General

The Bonds are general obligations of the District. Pursuant to ORS 287A.315 the District has pledged its full faith and credit and taxing power to pay the Bonds. The District covenants for the benefit of the owners of the Bonds that the District shall levy annually as provided by law, in addition to its other ad valorem property taxes and outside of the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the District in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the Bonds promptly as they mature. The taxes, when collected, are required to be applied solely for the purpose of payment of principal and interest on the Bonds and for no other purpose until the Bonds have been fully paid, satisfied and discharged.

The District may, subject to applicable laws, apply other funds available to make payments with respect to the Bonds and thereby reduce the amount of future tax levies for such purpose.

The Bonds do not constitute a debt or indebtedness of Clackamas County (the "County"), the State, or any political subdivision thereof other than the District.

Oregon School Bond Guaranty

Guaranty Provisions. Article XI-K of the Constitution of the State of Oregon allows the State to guarantee the general obligation bonded indebtedness of school districts, education service districts, and community college districts (generally "school district" or "school districts") in order to secure lower interest costs on general obligation bonds of such districts. Payment of the principal of and interest on the Bonds when due is guaranteed by the full faith and credit of the State under the provisions of the Oregon School Bond Guaranty Act – Oregon Revised Statutes (ORS) 328.321 to 328.356 (the "Act"). As provided in ORS 328.326(1)(a):

The State Treasurer may, by issuing a certificate of qualification to a school district, pledge the full faith and credit and taxing power of the state to guarantee full and timely payment of the principal of, either at the stated maturity or by advancement of maturity pursuant to a mandatory sinking fund payment, and interest on school bonds as such payments shall become due, except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the

payments guaranteed shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration.

The Act further provides that (i) the guaranty of the State does not extend to the payment of any redemption premium due on any bonds guaranteed under the Guaranty Act and (ii) any bond guaranteed by the State under the Act that is refunded no longer has the benefit of the guaranty from and after the date on which that bond is considered to be paid.

Regularly Scheduled Debt Service Payments. Each school district with outstanding, unpaid bonds guaranteed under the Act shall transfer moneys sufficient for the scheduled debt service payment to its paying agent at least 15 days before any principal or interest payment date for the bonds. The paying agent may invest the moneys for the benefit of the school district until the payment date. A school district that is unable to transfer the scheduled debt service payment to the paying agent 15 days before the payment date shall immediately notify the paying agent and the State Treasurer. Such notification shall be made to the Office of the State Treasurer as prescribed in the Act. The Act further provides that if sufficient funds are not transferred to the paying agent as required above, the paying agent shall notify the State Treasurer of that failure at least 10 days before the scheduled debt service payment in the manner prescribed in the Act.

Monitoring. Beginning with bonds issued with the guaranty of the State on and after October 30, 2009, a school district with outstanding, unpaid bonds which are guaranteed under the Act, must enter into an agreement with a paying agent under which the paying agent provides the district with notice by January 15 of each year of any required debt service amounts (including any scheduled deposits to a sinking fund for the bonds) due during the following fiscal year. The paying agent must also notify the district of any debt service amounts (including any scheduled deposits to a sinking fund) that must be paid or deposited over the next two fiscal years. In addition, for bonds originally issued as tax credit bonds under the Internal Revenue Code and any bonds resulting from conversion of such bonds ("Qualified Bonds"), the district must provide written verification by May 1 of each year to its paying agent that it has made any required sinking fund deposits. The paying agent must notify the State Treasurer if it does not receive such verification. Further, the district must report to the State Treasurer, at least annually, the amount of moneys paid into its debt service fund to pay the Qualified Bonds and a calculation demonstrating that such deposits are projected to be sufficient to repay the Qualified Bonds in full when payment is due. If annual payments are not made to the debt service fund, the district must demonstrate that the current balance in the fund, plus any scheduled future deposits, will be sufficient to repay the Qualified Bonds when due.

Payment under the Guarantee. If sufficient moneys to pay the scheduled debt service payment have not been transferred to the paying agent, the State Treasurer shall, on or before the scheduled payment date, transfer sufficient moneys to the paying agent to make the scheduled debt service payment. If sufficient moneys of the State are not on hand and available at the time the State is required to make a debt service payment under its guaranty on behalf of the school district, the State Treasurer may singly or in combination:

- Obtain from the Common School Fund or from any other State funds that qualify to make a loan under ORS 293.205 to 293.225, a loan sufficient to make the required payment;
- Borrow money, if economical and convenient, as authorized by ORS 286A.045;
- Issue State general obligation bonds as provided for in Article XI-K of the Constitution and the Act; and,
- With the approval of the Legislative Assembly, or the Emergency Board if emergency funds are lawfully available for making the required payment in the interim between sessions of the Legislative Assembly, pay moneys from the General Fund or any other funds lawfully available for the purpose or from emergency funds amounts sufficient to make the required payment.

Any payment of scheduled debt service payments by the State Treasurer on behalf of a school district (i) discharges the obligation of the issuing school district to its bondholders for the payment, and (ii) transfers the rights represented by the general obligation of the school district from the bondholders to the State.

State Repayment. If one or more payments are made by the State Treasurer as provided for in the Act, the State Treasurer shall pursue recovery from the school district of all moneys necessary to reimburse the State. In seeking recovery, the State Treasurer may (i) intercept any payments from the General Fund, the State School Fund, the income of the Common School Fund and any other source of operating moneys provided by or

through the State to the school district that issued the bonds that would otherwise be paid to the school district by the State, and (ii) exercise the rights of a secured creditor in any money or assets pledged by the school district to secure its reimbursement obligation to the State. The Treasurer may apply any intercepted payments or secured assets to reimburse the State for payments made pursuant to the State's guaranty until all obligations of the school district to the State arising from those payments, including any interest and penalties, are paid in full. The State has no obligation to the school district or to any person or entity to replace any moneys intercepted under the Act. The authority of the Treasurer to intercept payments under the Act has priority over all claims against money provided by the State to a school district, including a claim based on a funds diversion agreement under ORS 238.698.

Additionally, in accordance with the Act, if the State Treasurer determines that it is necessary the State Treasurer shall pursue any legal action, including but not limited to mandamus or foreclosure of a security interest, against the school district or school district board and may compel the school district to (i) levy and provide property tax or other revenues to pay debt service on its bonds and other obligations when due, and (ii) meet its repayment obligations to the State. The Attorney General shall assist the State Treasurer in pursuing such rights of recovery under the Act.

At all times, the school district shall continue to be responsible for the payment of all debt service payments on its bonds. A school district that issued bonds for which the State makes all or part of a debt service payment shall be responsible for reimbursing all moneys drawn or paid by the State Treasurer on its behalf. In addition the school district shall pay interest to the State on all moneys paid by the State from the date the moneys were drawn to the date they are repaid at a rate to be determined by the State Treasurer, in the State Treasurer's discretion, to be sufficient to cover the costs of funds to the State plus the costs of administration of the guaranty obligation and of collection of reimbursement.

Guaranty Limit. Under Article XI-K of the State Constitution, the amount of debt that the State may incur in honoring its guaranty of school bonds may not exceed, at any one time, one-half of one percent of the real market value (RMV) of all taxable property in the State. The State of Oregon has not issued bonds to provide money to satisfy its guaranty of school bonds participating in the program and does not anticipate the need to issue bonds for this purpose in the future.

As of December 20, 2016 the State had guaranteed the following (not including this bond issue or those issues guaranteed between the date identified above and the date of this issue) under the Guaranty Act:

Number of bond issues guaranteed under the Guaranty Program:	418
Aggregate total principal amount outstanding of bonds guaranteed at	\$ 4,856,301,319
Aggregate debt service amount outstanding of bond issues guaranteed at:	\$ 6,845,337,597

Guaranty Contact Person. As of the date of this Official Statement, requests for information regarding the Guaranty Program may be directed to:

Tobias Read, Oregon State Treasurer
Oregon School Bond Guaranty Program
Office of the State Treasurer
Debt Management Division
350 Winter Street NE, Suite 100
Salem, OR 97301-3896
Phone (503) 378-4930 – Fax (503) 378-2870

State of Oregon – Financial and Operating Information. The most recent Comprehensive Annual Financial Report (the "CAFR") of the State, and its most recent Official Statement for its general obligation debt, are currently on file with the Electronic Municipal Market Access ("EMMA") system, operated by the Municipal Securities Rulemaking Board ("MSRB"). The financial and operating information with respect to the State contained in the CAFR, and such OFFICIAL STATEMENT, are hereby included by reference in this OFFICIAL STATEMENT. Additionally, the CAFR and the most recent OFFICIAL STATEMENT for its general obligation debt are available upon request from the State's contact person as indicated under Guaranty Contact Person above.

As of the date of this Official Statement, the outstanding general obligation bonds of the State are rated “AA+” by Fitch Ratings, “Aa1” by Moody’s Investors Service, Inc., and “AA+” by S&P Global Ratings.

State of Oregon – Continuing Disclosure. The State has executed a Master Disclosure Certificate (the “Certificate”) for the benefit of registered and beneficial holders of bonds guaranteed under the Guaranty Program and to assist Underwriters of such bonds in complying with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the “Rule”). The State, in accordance with the Certificate, will provide annually copies of its most recent CAFR of the State to the Municipal Securities Rulemaking Board through depositing such information with EMMA and to the state information depository, if any, located in the State of Oregon (the “SID”). In addition, the State will provide the MSRB, through EMMA, with any material event notices pertaining to the State of Oregon required under the Rule and pursuant to the Certificate.

State Intercepts

Pursuant to ORS 328.346(1)(c), the authority of the State Treasurer to intercept payments and the lien in any pledged moneys under the Oregon School Bond Guaranty (“OSBG”) program, have priority over all claims against money provided by the state to a school district, including a claim that is based on a funds diversion agreement under ORS 238.698. Such funds diversion agreements include intercept agreements for pension bonds, qualified school construction and qualified zone academy bonds. The same statute provides that such funds diversion agreements have priority over all other claims against money provided by the state to a school district other than claims under the OSBG. The District’s General Obligation Refunding Bonds, Series 2004; General Obligation Bonds, Series 2007A; General Obligation Refunding Bonds, Series 2014; and General Obligation Refunding Bonds, Series 2016 are secured by the OSBG. The District’s Limited Tax Pension Obligations, Series 2002A and Series 2002B; Limited Tax Pension Obligations, Series 2003A and Series 2003B; and Limited Tax Pension Refunding Obligations, Series 2011 have an intercept agreement.

Bonded Indebtedness

Debt Limitation

General Obligation Bonds. ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Kindergarten through twelfth grade school districts may issue an aggregate principal amount up to 7.95 percent of the Real Market Value of all taxable properties within the district if the District’s voters approve the general obligation bonds. General obligation bonds are secured by the power to levy an additional tax outside the limitations of Article XI, Sections 11 and 11b. **The Bonds are general obligation bonds and are subject to this debt limitation, as shown below:**

North Clackamas School District No. 12 General Obligation Debt Capacity

Measure 5 Real Market Value (Fiscal Year 2017) ⁽¹⁾	\$ 18,067,735,406
Debt Capacity	
General Obligation Debt Capacity (7.95% of Real Market Value)	\$ 1,436,384,965
Less: Outstanding Debt Subject to Limit	(541,992,626) ⁽²⁾
Remaining General Obligation Debt Capacity	\$ 894,392,339
Percent of Capacity Issued	37.73%

(1) The District’s fiscal year commences July 1 and ends on June 30 of the following year (the “Fiscal Year”). Source: Clackamas County Department of Assessment and Taxation.

(2) Represents voter-approved, unlimited-tax general obligations of the District, including the Bonds. Source: North Clackamas School District No. 12 Audited Financial Reports for the Fiscal Year Ended June 30, 2016, and this issue.

Full Faith and Credit Obligations/Limited Tax Obligations. School districts, education service districts, community colleges and local governments may pledge their full faith and credit for “limited tax bonded indebtedness” or

“full faith and credit obligations” in addition to pledging the full faith and credit for voter approved general obligation bonds. The Oregon Constitution and statutes do not limit the amount of limited tax bonded indebtedness that a school district, education service, community college, or city may issue. Full faith and credit obligations can take the form of certificates of participation, notes or capital leases. Collection of property taxes to pay principal and interest on such limited-tax debt is subject to the limitations of Article XI, Sections 11 and 11b. **The full faith and credit of the District is pledged to pay the Bonds in addition to the unlimited property tax authorized by voters. The Bonds are not limited tax obligations.**

Pension Bonds. ORS 238.694 authorizes school districts, education service districts, community colleges and local governments to issue full faith and credit obligations to pay pension liabilities without limitation as to principal amount. Pension bonds are not general obligations as defined under State law and the District is not authorized to levy additional taxes to make pension bond payments. **The Bonds are not pension bonds.**

Revenue Bonds. The District may issue revenue bonds for any public purpose, which are secured by revenues pursuant to ORS 287A.150. **The Bonds are not revenue bonds.**

Notes. Subject to any applicable limitations imposed by the Oregon Constitution or laws of the State or the resolution of an individual school district, education service district or community college, ORS 287A.180 provides that the District may borrow money in anticipation of tax revenues or other monies and to provide interim financing (“notes”). **The Bonds are not notes.**

Outstanding Long-Term Debt

Governmental Activities	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding ⁽¹⁾
<i>General Obligation Bonds:</i>				
Series 2004 Refunding Bonds	12/08/04	06/15/18	\$ 65,245,000	\$ 18,940,000
Series 2007A	03/14/07	06/15/17	121,050,000	8,040,000
Series 2014 Refunding Bonds	12/18/14	06/15/31	170,380,000	168,540,000
Series 2016 Refunding Bonds	05/11/16	06/15/32	23,830,000	23,830,000
Series 2017A Bonds ⁽²⁾	03/02/17	06/15/42	140,292,626	140,292,626
Series 2017B Bonds ⁽²⁾	03/02/17	06/15/37	182,350,000	182,350,000
Total General Obligation Bonds				541,992,626
<i>Notes Payable:</i>				
Notes Payable	Various	10/01/26 ⁽³⁾	16,638,676	8,502,966
<i>Pension Obligations ⁽⁴⁾:</i>				
Series 2002A	10/31/02	06/30/20	12,971,060	4,242,376
Series 2002B	10/31/02	06/30/28	37,850,000	34,465,000
Series 2003A	04/21/03	06/30/23	30,031,952	11,716,964
Series 2003B	04/21/03	06/30/28	33,125,000	33,125,000
Series 2011	08/11/11	06/30/21	3,490,000	3,490,000
Total Pension Obligations				87,039,340
Total Governmental Activities Debt				\$ 637,534,932

(1) As of Date of Delivery.

(2) This issue.

(3) Current final maturity of the District’s eight outstanding notes payable.

(4) Secured by the full faith and credit of the District.

Source: North Clackamas School District No. 12 Audited Financial Reports for the Fiscal Year Ended June 30, 2016.

**General Obligation Bonds
Projected Debt Service Requirements**

Fiscal Year	Outstanding Bonds		Series 2017A Bonds		Series 2017B Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 19,430,000	\$ 10,193,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,623,000
2018	10,010,000	9,289,900	-	-	-	11,698,145	30,998,045
2019	6,145,000	8,793,000	8,098,658	-	-	9,095,750	32,132,408
2020	7,030,000	8,501,600	-	-	2,175,000	9,095,750	26,802,350
2021	7,980,000	8,170,700	-	-	2,715,000	9,008,750	27,874,450
2022	8,975,000	7,784,400	-	-	3,150,000	8,873,000	28,782,400
2023	10,085,000	7,343,300	-	-	3,575,000	8,715,500	29,718,800
2024	11,275,000	6,845,550	-	-	4,025,000	8,536,750	30,682,300
2025	12,550,000	6,294,800	-	-	4,500,000	8,335,500	31,680,300
2026	13,920,000	5,670,450	-	-	5,005,000	8,110,500	32,705,950
2027	15,395,000	4,977,700	-	-	5,540,000	7,860,250	33,772,950
2028	17,290,000	4,211,350	-	-	5,785,000	7,583,250	34,869,600
2029	18,350,000	3,350,400	-	-	7,010,000	7,294,000	36,004,400
2030	20,465,000	2,436,600	-	-	7,325,000	6,943,500	37,170,100
2031	22,200,000	1,618,000	-	-	7,985,000	6,577,250	38,380,250
2032	18,250,000	730,000	-	-	14,480,000	6,178,000	39,638,000
2033	-	-	-	-	35,525,000	5,454,000	40,979,000
2034	-	-	4,591,543	4,843,457	29,200,000	3,677,750	42,312,750
2035	-	-	18,915,089	22,559,912	-	2,217,750	43,692,750
2036	-	-	18,457,283	24,432,717	-	2,217,750	45,107,750
2037	-	-	-	-	44,355,000	2,217,750	46,572,750
2038	-	-	18,686,312	29,398,688	-	-	48,085,000
2039	-	-	18,296,025	31,353,975	-	-	49,650,000
2040	-	-	18,022,723	33,242,277	-	-	51,265,000
2041	-	-	17,749,017	35,180,983	-	-	52,930,000
2042	-	-	17,475,977	37,174,023	-	-	54,650,000
	<u>\$ 199,920,000</u>	<u>\$ 86,017,750</u>	<u>\$ 140,292,626</u>	<u>\$ 218,186,032</u>	<u>\$ 182,350,000</u>	<u>\$ 139,690,895</u>	<u>\$ 966,457,304</u>

**Summary of Overlapping Debt
(As of December 27, 2016)**

Overlapping Issuer Name	Percent Overlapping	Gross Direct Debt ⁽¹⁾	Net Direct Debt ⁽²⁾
City Of Gladstone	6.08%	\$ 89,572	\$ 89,572
City Of Happy Valley	98.38%	3,472,680	3,472,680
City Of Milwaukie	99.18%	17,707,472	14,022,805
City Of Portland	0.08%	565,971	164,178
Clackamas Community College	39.39%	35,051,691	24,444,529
Clackamas County	28.81%	46,474,349	46,071,076
Clackamas County Education Service District	30.33%	7,263,605	7,263,605
Clackamas County Rural Fire Protection District	69.23%	23,778,452	11,562,095
Metro	6.98%	15,760,060	14,353,342
North Clackamas Parks & Rec District	96.29%	8,526,727	-
Oak Lodge Sanitary District	75.96%	14,083,577	-
Port of Portland	6.50%	4,143,174	-
		<u>\$ 176,917,330</u>	<u>\$ 121,443,882</u>

(1) Gross Direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Limited tax pension obligations are included.

(2) Net Debt is Gross Direct Debt less self-supporting limited and unlimited tax supported debt.

Source: Debt Management Division, The Office of the State Treasurer.

Debt Ratios

The following table presents information regarding the District's direct debt, including the Bonds, and the estimated portion of the debt of overlapping taxing districts allocated to the District's property owners.

Debt Ratios

M5 Real Market Value (Fiscal Year 2017)	\$ 18,067,735,406	
Estimated Population	118,144	
Per Capita Real Market Value	\$ 152,930	
	Gross Direct	Net Direct
Debt Information	Debt⁽¹⁾	Debt⁽²⁾
District Direct Debt ⁽³⁾	\$ 637,534,932	\$ 637,534,932
Overlapping Direct Debt	176,917,330	121,443,882
Total Direct Debt ⁽³⁾	<u>\$ 814,452,262</u>	<u>\$ 758,978,814</u>
Bonded Debt Ratios⁽³⁾		
District Direct Debt to Real Market Value	3.53%	3.53%
Total Direct Debt to Real Market Value	4.51%	4.20%
Per Capita District Direct Debt	\$ 5,396	\$ 5,396
Per Capita Total Direct Debt	\$ 6,894	\$ 6,424

(1) Gross Direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt.

(2) Net Debt is Gross Direct Debt less self-supporting limited and unlimited tax supported debt.

(3) Includes the Bonds.

Sources: Debt Management Division, The Office of the State Treasurer as of December 27, 2016 and North Clackamas School District No. 12 Audited Financial Reports for the Fiscal Year Ended June 30, 2016.

Debt Payment Record

The District has promptly met principal and interest payments on outstanding bonds and other indebtedness in the past ten years when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default.

Future Financings

Capital Projects. Other than the bonds authorized at the November 2016 election, the District has no authorized but unissued bonds outstanding. The District maintains a school bus replacement program in order to ensure a reliable fleet as well as reduce maintenance costs. Each year as obsolete and non-compliant buses are retired and old leases expire, new 10-year leases are added to purchase buses. The District is committed to maintaining a safe and compliant school bus fleet to transport students and anticipates entering into an approximately \$1.3 million bus financing within the next twelve months.

Short-term Notes. The District does not anticipate issuing short-term debt within the next twelve months.

The District

Public School Districts

Under Oregon law (ORS Chapter 332), the District is responsible for educating children residing within the boundaries of the District. The District discharges this responsibility by building, operating, and maintaining school facilities; developing and maintaining approved educational programs and courses of study, including vocational programs and programs for handicapped students, in accordance with State standards; and carrying out programs for transportation and feeding of pupils in accordance with District, State, and federal programs.

Under Oregon law, local school districts are subject to supervision by the State. The State Board of Education, a group of seven persons appointed by the Governor, establishes standards for educational programs and facilities, adopts rules of general governance, and prescribes courses of study. The administrative functions of the State Board of Education are handled through the Department of Education, whose executive head is the Deputy Superintendent of Public Instruction. The Deputy Superintendent is appointed by the Governor, who serves as the Superintendent of Public Instruction.

General Description

The District covers approximately 40 square miles in northern Clackamas County, and encompasses the entire cities of Milwaukie, Happy Valley, Johnson City, and part of Damascus, as well as unincorporated neighborhoods of Oak Grove, Concord, Clackamas, Sunnyside, Mount Scott, Southgate, and Carver.

The District operates 16 elementary schools, 4 middle schools, 3 senior high schools, 1 alternative high school, 1 professional technical center, 4 magnet schools/programs and 4 charter schools.

Historical and projected enrollments are shown in the following table:

Historical and Projected Enrollment

Fiscal Year	Average Daily Membership(w) ⁽¹⁾	Enrollment ⁽²⁾	Teaching Staff ⁽³⁾	Student to Teacher Ratio
2017 ⁽⁴⁾	20,728.1	17,321	929.5	18.6
2016 ⁽⁵⁾	20,413.8	17,269	882.0	19.6
2015	19,688.4	16,973	856.0	19.8
2014	19,783.0	16,933	831.0	20.4
2013	19,909.3	16,972	806.0	21.1
2012	20,025.5	17,260	767.7	22.5
2011	19,991.1	17,439	897.5	19.4

(1) Weighted Average Daily Membership is the enrollment figure, adjusted for part-time students and students with special needs, that is used to allocate revenues appropriated by the State to school districts.

(2) Enrollment is the number of students attending classes.

(3) Full-time equivalent licensed employees. Includes classroom, music, physical education, special education teachers, librarians and counselors.

(4) Projected.

(5) Full day kindergarten implemented in FY2016.

Source: Oregon Department of Education and North Clackamas School District No. 12.

As of July 1, 2015, school districts may choose to offer free full-day kindergarten and receive a full 1.0 ADMw for kindergarten students for purposes of the State School Fund ("SSF") formula. Within the total amount appropriated by the Legislature for the SSF in the 2015-17 biennium, \$220 million has been allocated for the implementation of full-day kindergarten. See "Revenue Sources - State School Funding - 2015-17 Biennium State Budget" herein.

House Bill 3681 creates an open enrollment process which allows students to attend a school district in which they do not reside without the consent of their home school district. Beginning with Fiscal Year 2013, a district's school board can decide how many, if any, non-resident students will be allowed to enroll for the school year. The open enrollment process sunsets on July 1, 2017. The District's Board voted to accept 380 out-of-district students in Fiscal Year 2016 and 473 out of district students in Fiscal Year 2017.

Staff

As of December 6, 2016, the District had 1,306 full-time employees and 735 part-time employees.

Bargaining Units

Bargaining Unit	No. of Employees	Contract Expires
Oregon School Employees Association	966 (classified)	June 30, 2019
Oregon Education Association	1,075 (licensed)	June 30, 2018

Source: North Clackamas School District No. 12.

Minimum Wage Increases. A bill which establishes a tiered system of gradual increases in the State's minimum wage based on geography, was signed into law by Governor Kate Brown on March 2, 2016. These wage increases began July 1, 2016 and will reach a top rate of \$14.75 in the Portland MSA, \$13.50 in midsize counties and \$12.50 in rural regions of the state by July 1, 2022. The District does have a small group of staff that will be affected by the Minimum wage increase. The District believes that Senate Bill 1532 will not have a significant deleterious impact on the District's overall operations, nor will it have any impact on the District's ability to repay debt service on the Bonds.

Oregon Sick Leave Law. Beginning January 1, 2016, employers must provide workers with at least 40 hours of paid sick leave annually. Employers with six or more employees in Portland, or ten or more employees elsewhere in the state are required to provide leave. Leave is accrued based on hours worked and employees earn 1 hour of sick leave for every 30 hours worked. The District previously provided leave that met or exceeded requirements for most subject employees. The additional benefit for part-time hourly employees did not have a significant deleterious impact on the District's overall operations, nor will it have any impact on the District's ability to repay debt service on the Bonds.

The Board of Directors

The policies of the District are established by an elected seven-member Board. The current members of the Board are:

Board of Directors

Name	Position	Occupation	Service Began	Term Expires
Rein Vaga	Chair	Small Business Owner	July 6, 2006	June 30, 2019
Steven Schroedl	Vice Chair	Business Owner	July 1, 2015	June 30, 2019
Mitzi Bauer	Director	Retired Mathematician	June 22, 2016	June 30, 2017
Trisha Claxton	Director	Teacher	July 1, 2011	June 30, 2019
Tory McVay	Director	Banking Senior VP	July 1, 2013	June 30, 2017
Lee Merrick	Director	Controller	July 1, 2015	June 30, 2019
Vivian Scott	Director	PCC Workforce Development	July 1, 2005	June 30, 2017

Source: North Clackamas School District No. 12.

Key Administrative Officials

The day-to-day affairs of the District are managed by a professional administrative staff which includes the following principal officials:

Matt Utterback, Superintendent. Mr. Utterback is in his fifth year serving as Superintendent of the District. Now in his 28th year with the District, he has been a teacher, school administrator, and assistant superintendent. With his deep roots in the District, Mr. Utterback has brought an understanding of the North Clackamas culture to the position, but also has been an advocate for change in that culture to support the diverse needs of students. As a principal and administrator, Mr. Utterback has a proven record of working to address issues of inequity and make positive strides to close the opportunity gap. Mr. Utterback was named Oregon's 2017 Superintendent of the Year by the Oregon Association of School Executives and the Confederation of Oregon School Administrators. He is a graduate of Western Oregon University and Lewis and Clark College.

Mary Knigge, Chief Financial Officer. Ms. Knigge has worked in Oregon schools for over 24 years. She joined the District in July 2014. Prior to joining the District she served as the Director of Fiscal Services at Canby School District. She also worked as the Business Manager for Central School District, Deputy Clerk for Corbett School District and in the purchasing and business offices at Reynolds School District. Ms. Knigge also has accounting experience working in the private sector. She holds an Associate's Degree in accounting from Dickinson State University and a Bachelor of Science Degree in Business Management from the University of Phoenix.

Ron Stewart, Operations. Mr. Stewart has worked in Oregon schools for over 34 years and served as a District Administrator for 26 years, responsible for school facilities, bond construction, operations and finance. Mr. Stewart worked for the Oregon City School District for 17 years as Director of Facilities and Business Manager/Chief Financial Officer. He also served as Vice President/CFO of Clackamas Community College prior to coming to the District in 2006 as their Assistant Superintendent of Finance and Operations. Mr. Stewart attended Portland State University, Marylhurst University, Lewis & Clark College, and George Fox University. He earned his Bachelors of Science in Business, MBA, Master in Management, and Doctorate in Education.

Revenue Sources

The following section summarizes certain of the major revenue sources of the District.

Oregon School District Funding

Oregon school districts receive revenue from two primary sources: State aid and *ad valorem* property taxes. The following section summarizes these primary revenue sources of the District.

Property Taxes

Most local governments, school districts, education service districts and community college districts ("local governments") have permanent authority to levy property taxes for operations ("Permanent Rates") up to a maximum rate (the "Operating Tax Rate Limit"). Local governments that have never levied property taxes may request that the voters approve a new Operating Tax Rate Limit.

Local governments may not increase their Operating Tax Rate Limits; rather they may only request that voters approve limited term levies for operations or capital expenditures ("Local Option Levies") or levies to repay general obligation bonded indebtedness ("General Obligation Bond Levies").

Local Option Levies that fund operating expenses are limited to five years, and Local Option Levies that are dedicated to capital expenditures are limited to ten years. Local Option Levies for school districts are limited to the lesser of (i) \$1,000 per student, or (ii) 20 percent of a district's total state resources.

ORS 327.333 through 327.339 provides local option equalization grants to school districts with Local Option Levies that have a total assessed property value per student less than the total assessed property value per student of a designated target district. For the biennium commencing July 1, 2015, \$2,859,866 was appropriated from the State's General Fund to the Department of Education for the Local Option Equalization Grants Account. If the amount of money available is insufficient to make grant payments, the grant payments are to be proportionally reduced.

The District does not currently have a Local Option Levy and has no plans at this time to seek voter approval of a Local Option Levy.

Local governments impose property taxes by certifying their levies to the county assessor of the county in which the local government is located. Property taxes ordinarily can only be levied once each Fiscal Year. The local government ordinarily must notify the county assessor of its levies by July 15.

Valuation of Property – Real Market Value. "Real Market Value" is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an "arms-length" transaction during the period for which the property is taxed.

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture and equipment) for non-residential taxpayers. There is no property tax on household furnishings (exempt since 1913), personal belongings, automobiles (exempt since 1920), crops, orchards, business inventories or intangible property such as stocks, bonds or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation.

Property used for charitable, religious, fraternal and governmental purposes is exempt from taxation. Special assessments that provide a reduction in the taxable Real Market Value may be granted (upon application) for veterans' homesteads, farm and forest land, open space and historic buildings. The Real Market Value of specially assessed properties is often called the "Taxable Real Market Value" or "Measure 5 Real Market Value." The assessment roll, a listing of all taxable property, is prepared as of January 1 of each year.

Valuation of Property – Assessed Value. Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property an assessed value and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption. When property is newly constructed or reassessed because it is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an assessed value that is comparable to the assessed value of similar property.

The Oregon Department of Revenue ("ODR") appraises and establishes values for utility property, forestland and most large industrial property for county tax rolls. It collects taxes on harvested timber for distribution to schools, county taxing districts, and State programs related to timber. Certain properties, such as utilities, are valued on the unitary valuation approach. Under the unitary valuation approach, the taxpaying entity's operating system is defined and a value is assigned for the operating unit using the market value approach (cost, market value and income appraisals). Values are then allocated to the entities' operations in Oregon, and then to each county the entity operates in and finally to site locations.

Generally speaking, industrial properties are valued using an income approach, but ODR may apply additions or retirements to the property value through a cost of materials approach. Under the income and cost of materials approaches, property values fluctuate from year-to-year.

Tax Rate Limitation – Measure 5. A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, often called "Measure 5") separates property taxes into two categories: one to fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, "Education Taxes") and one to fund government operations other than the public school system ("General Government Taxes"). Education Taxes are limited to \$5 per \$1,000 and General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the "Measure 5 Limits"). If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. In Fiscal Year 2017, there was \$939,579.39 of compression of the District's Permanent Rate due to the tax rate limitation. This compression is taken into account in the State School Fund Distribution Formula described herein (see "State of Oregon Public School Funding – State School Fund").

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital costs approved by the electors of the issuer and bonds issued to refund such bonds. **Property taxes imposed to pay the principal of and interest on the Bonds are not subject to the limitations of Article XI, Sections 11 and 11b.**

In 2007 the Oregon Supreme Court determined that taxes levied by general purpose governments (such as cities and counties) may be subject to the \$5 per \$1,000 limit if those taxes are used for educational services provided by public schools.

Property Tax Collections. Each county assessor is required to deliver the tax roll to the county tax collector in sufficient time to mail tax statements on or before October 25 each year. All tax levy revenues collected by a county for all taxing districts within the county are required to be placed in an unsegregated pool, and each taxing district shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing districts within the county. As a result, the tax collection record of each taxing district is a *pro-rata* share of the total tax collection record of all taxing districts within the county combined.

Under the partial payment schedule, taxes are payable in three equal installments on the 15th of November, February and May of the same Fiscal Year. The method of giving notice of taxes due, the county treasurer's account for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all specified by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, a county may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

A Senior Citizen Property Tax Deferral Program (1963) allows certain homeowners to defer taxes until death or sale of the home. A similar program is offered for Disability Tax Deferral (2001), which does not have an age limitation.

The following tables represent historical tax information for the District.

Taxable Property Values

Fiscal Year	M5 Real Market Value ⁽¹⁾	Total Assessed Valuation	Urban Renewal Excess	AV Used to Calculate Rates ⁽²⁾
2017	\$ 18,067,735,406	\$ 13,135,949,890	\$ 199,481,457	\$ 12,936,468,433
2016	15,778,515,366	12,517,679,363	169,607,486	12,348,071,877
2015	14,167,881,531	11,931,103,331	141,751,946	11,789,351,385
2014	12,767,620,456	11,387,758,910	119,971,829	11,267,787,081
2013	12,033,892,426	10,932,438,814	655,448,014	10,276,990,800
2012	12,442,681,334	10,725,351,614	627,865,298	10,097,486,316

- (1) Value represents the Real Market Value of taxable properties, including the reduction in Real Market Value of specially assessed properties such as farm and forestland. This value is also commonly referred to as the Measure 5 Real Market Value by county assessors.
- (2) Assessed value of property in the District on which the Permanent Rate is applied to derive *ad valorem* property taxes, excluding urban renewal, exempt property within enterprise zones and any other offsets.

Source: Clackamas County Department of Assessment and Taxation.

Property Tax Exemption Programs. Oregon statutes authorize a wide variety of full and partial property tax exemptions, including exemptions for property owned or used by cities, counties, schools and other local governments, property of the federal government, property used by religious and charitable entities, property used for low-income housing, historical property and transit oriented property.

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

The Strategic Investments Program ("SIP") was authorized by the Legislative Assembly in 1993 to provide tax incentives for capital investments by "traded-sector" businesses, including manufacturing. SIP recipients receive a 15 year property tax exemption on new construction over \$25 million outside of urban areas, and over \$100 million in urban areas. The exemption value (\$25 million or \$100 million) then increases three percent per year. SIP recipients pay an annual Community Service Fee which is equal to 25 percent of the value of the tax break, which is allocated to local governments through local negotiations. The Community Service Fee is not considered a property tax and thus is outside of the Measure 5 Limit. There are no SIP Agreements within the District's boundaries.

Tax Rates and Collections. The following table presents the Fiscal Year 2017 tax rates for the District and other taxing jurisdictions within Clackamas County that overlap the District. The District's Operating Tax Rate Limit is \$4.8701 per \$1,000 of assessed property value. The Operating Tax Rate Limit was calculated in conjunction with the implementation of Measure 50 in 1997. The Permanent Rates shown in the following table are the rates that are actually applied to the assessed value of the taxing district. The Permanent Rates may be different from the Operating Tax Rate Limit of the taxing district due to the decision by the taxing district to levy less than its Operating Tax Rate Limit.

**Fiscal Year 2017 Representative Levy Rate
(Rates Per \$1,000 of Assessed Value)**

	Permanent Rate	Bond Levy Rate	Local Option Rate ⁽¹⁾	Consolidated Rate	Urban Renewal Portion of the Consolidated Rate ⁽²⁾
General Government					
Clackamas County (Rural)	\$ 2.9766	\$ 0.0000	\$ 0.0000	\$ 2.9766	\$ 0.0266
County Extension & 4H	0.0500	0.0000	0.0000	0.0500	0.0002
County Law Enhanced	0.7198	0.0000	0.0000	0.7198	0.0144
County Library	0.3974	0.0000	0.0000	0.3974	0.0017
County Public Safety	0.0000	0.2480	0.0000	0.2480	0.0000
County Soils Conservation District	0.0500	0.0000	0.0000	0.0500	0.0002
Clackamas Fire District No. 1	2.4012	0.0926	0.0000	2.4938	0.0252
North Clackamas Park and Recreation	0.5382	0.0000	0.0000	0.5382	0.0080
Port of Portland	0.0701	0.0000	0.0000	0.0701	0.0003
Metro	0.0966	0.2044	0.0960	0.3970	0.0005
Vector Control	0.0065	0.0000	0.0250	0.0315	0.0000
Total General Government	<u>7.3064</u>	<u>0.5450</u>	<u>0.1210</u>	<u>7.9724</u>	<u>0.0771</u>
Education					
Clackamas Community College	0.5582	0.1855	0.0000	0.7437	0.0040
Clackamas ESD	0.3687	0.0000	0.0000	0.3687	0.0016
North Clackamas School District No. 12	<u>4.8701</u>	<u>2.3613</u>	<u>0.0000</u>	<u>7.2314</u>	<u>0.0861</u>
Total Education	<u>5.7970</u>	<u>2.5468</u>	<u>0.0000</u>	<u>8.3438</u>	<u>0.0917</u>
Total Tax Rate	<u>\$ 13.1034</u>	<u>\$ 3.0918</u>	<u>\$ 0.1210</u>	<u>\$ 16.3162</u>	<u>\$ 0.1688</u>

NOTE: County assessors report levy rates by tax code. Levy rates apply to the assessed property value. Measure 5 Limits are based on the Taxable Real Market Value and are only reported in total dollar amount of compression, if any, for each taxing jurisdiction (see "Property Taxes – Tax Rate Limitation – Measure 5" herein).

- (1) Local Option Levies are voter-approved serial levies. They are limited by ORS 280.060 to five years for operations or ten years for capital construction. Local Option Levy rates compress to zero before there is any compression of overlapping jurisdictions' Permanent Rates (see "Property Taxes – Tax Rate Limitation – Measure 5" herein).
- (2) A portion of a taxing district's consolidated rate is contributed to the Clackamas County Urban Renewal Agency North Clackamas Revitalization plan through tax increment financing.

Source: Clackamas County Department of Assessment and Taxation. Note that there are 89 tax codes in the County that overlap the District and Tax Code 12-051 has the highest property value of these tax codes. Total tax levies in the District range from \$14.5445 to \$20.8314 per \$1,000 of assessed property value.

**Clackamas County
Tax Collection Record⁽¹⁾**

Fiscal Year	Percent Collected as of Levy Year⁽²⁾ 6/30/2016⁽³⁾	
2016	97.81%	97.81%
2015	97.67%	98.76%
2014	97.49%	99.13%
2013	97.04%	99.42%
2012	96.73%	99.56%
2011	96.79%	99.62%

- (1) Percentage of total tax levy collection in Clackamas County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated. The tax rates are before offsets.
- (2) The percentage of taxes collected in the "year of the levy" represents taxes collected in a single levy year, beginning July 1 and ending June 30.
- (3) The percentage of taxes shown in the column represents taxes collected cumulatively from July 1 of a given levy year through June 30, 2016.

Source: Clackamas County Department of Assessment and Taxation.

Major Taxpayers
(As of Fiscal Year 2016)
North Clackamas School District No. 12

Taxpayer	Business/Service	Tax ⁽¹⁾	Assessed Value ⁽²⁾	Percent of Value
General Growth Properties Inc.	Town Center Mall	\$ 4,034,362	\$ 249,221,847	1.90%
Clackamas Baking Plant	Bakery	2,335,753	129,845,446	0.99%
PCC Structurals Inc.	Manufacturing/ Aerospace	2,266,795	134,221,980	1.02%
Portland General Electric	Electrical Utility	1,633,061	102,628,000	0.78%
Comcast Corporation	Telecommunications	1,505,080	84,430,100	0.64%
Marvin F Poer & Company	Tax Preparation Services	1,207,444	73,854,510	0.56%
Blount Inc.	Manufacturing	1,106,972	59,366,621	0.45%
Kaiser Foundation Hospital	Hospital	996,580	60,736,094	0.46%
ROIC Oregon LLC	Property Management	950,333	56,373,662	0.43%
WH Portland Industrial LLC	Industrial warehouse space	897,122	51,492,767	0.39%
Subtotal - ten of District's largest taxpayers			1,002,171,027	7.63%
All other District's taxpayers			12,133,778,863	92.37%
Total District			<u>\$ 13,135,949,890</u>	<u>100.00%</u>

Clackamas County

Taxpayer	Business/Service	Tax ⁽¹⁾	Assessed Value ⁽²⁾	Percent of Value
Portland General Electric	Electrical Utility	\$ 10,048,600	\$ 721,428,800	1.55%
Shorenstein Properties LLC	Kruse Way Office Buildings	4,711,455	288,286,098	0.62%
General Growth Properties Inc.	Town Center Mall	4,034,362	249,221,847	0.54%
Clackamas Baking Plant	Bakery	3,653,869	204,065,376	0.44%
Northwest Natural Gas Co.	Natural Gas Utility	3,051,553	200,341,500	0.43%
Comcast Corporation	Telecommunications	3,265,496	189,429,300	0.41%
PCC Structurals, Inc.	Manufacturing/ Aerospace	2,266,795	134,221,980	0.29%
Mentor Graphic Corp	Computer software	1,432,199	78,002,631	0.17%
Marvin F Poer & Company	Commercial	1,229,497	75,140,905	0.16%
ROIC Oregon LLC	Shopping Center	1,284,787	74,347,897	0.16%
Subtotal - ten of County's largest taxpayers			2,214,486,334	4.77%
All other County's taxpayers			44,190,643,434	95.23%
Total County			<u>\$ 46,405,129,768</u>	<u>100.00%</u>

(1) Tax amount is the total tax paid by the taxpayer within the boundaries of the District and County, respectively. This amount is distributed to individual local governments by the County. A breakdown of amounts paid to each individual local government is not available.

(2) Assessed value does not exclude offsets such as urban renewal and farm tax credits.

Note: Comcast has outstanding property value appeals within the District. While the contested value is included on the tax rolls, the County is not billing the amount owed on the value that is being appealed. Therefore, if the appeal is decided in the favor of the appellant, the overlapping municipal entities will not be required to repay taxes on the contested value but the assessed values could decline. A favorable ruling for Comcast is not expected to have a material adverse impact on the District's finances.

Source: Clackamas County Department of Assessment and Taxation.

State School Funding

One of the largest sources of revenue for school districts and education service districts is State aid appropriated through the Oregon Department of Education ("ODE"). ODE funding supports pre-kindergarten through 12th grade education including funding for operation for the State's 197 school districts and 19 education service districts through the State School Fund ("SSF"). The SSF consists primarily of State General Fund and Lottery Fund revenues.

State School Fund Formula. State aid is provided to school districts pursuant to a formula set by the Legislative Assembly. The objective of the formula is to provide equal funding for all school districts. Available State and

local resources determine the actual amount of the allocation. Under the current formula, each student is given a factor as an enrolled student that is then adjusted to include additional factors such as English as a Second Language, Handicapped with an Individualized Education Plan, attending a remote small school, and Impoverished (the "ADMw"). The formula allocates revenues to districts based on the ADMw for each district.

The SSF grant (the "SSF Grant") to each school district is comprised of a general purpose grant, a facility grant, a transportation grant, a small school district supplement grant and a high cost disability grant, minus local revenues. Local revenues include tax offsets, local property taxes for school operations (specifically excluding taxes for voter approved general obligation bonds and, subject to certain limitations, amounts raised from Local Option Levies), Common School Fund, county school fund and State timber revenues, and money received in lieu of property taxes.

Under the SSF distribution formula for the general purpose grant, the total ADMw is multiplied by a statewide target grant (currently \$4,500). A factor of \$25 per year per student that a district's average teachers' experience exceeds the State average is added to (or subtracted from if below the State average) this calculation. The result is multiplied by a funding ratio to arrive at the State's general purpose grant.

In 2013, the Legislature approved a change in the way the additional weighting for poverty was calculated. Previously, the SSF distribution formula used 2000 Census data as the basis for the calculation. Now the SSF distribution formula uses the Small Area Income Poverty Estimates published every year by the US Census Bureau. This data provides a count of children living in families in poverty in each school district and more accurately reflects current poverty in Oregon's school districts to ensure better distribution of the formula. The revised poverty calculation went into effect for the Fiscal Year 2015 distributions.

The facility grant (\$12.5 million statewide in the 2015-17 biennium) is distributed on a pro-rata basis to all qualifying districts in the first year a new school facility is put into use. The grant equals a maximum of eight percent of total construction costs of new school buildings, specifically excluding the cost of acquiring land, but including the addition of new structures to existing school buildings and pre-manufactured buildings if the new structures are used for instructing students. The transportation grant for each school district is between 70 percent and 90 percent of approved transportation costs, depending upon the ranking of the school district. Such ranking is based upon the approved transportation costs per ADMw. The high cost disability grant (\$70.0 million statewide in the 2015-17 biennium) is distributed on a pro-rata basis to all qualifying districts and is equal to the approved costs of providing special education and related services to a resident pupil with disabilities in excess of \$30,000.

School districts currently receive 95.5 percent of the total SSF distribution and education service districts ("ESDs") receive the remaining 4.5 percent. Beginning July 1, 2014, school districts are permitted to withdraw from their ESD and receive 90 percent of their district's prorated share of State funds allocated to the ESD.

State Legislature. The State has a citizen legislature consisting of the Senate, whose 30 members are elected to serve four-year terms, and the House of Representatives, which has 60 members elected for two-year terms (the "Legislature" or "Legislative Assembly").

The Legislature convenes annually at the State Capitol in Salem, but sessions may not exceed 160 days in odd-numbered years and 35 days in even-numbered years. Five-day extensions are allowed by a two-thirds vote in each house. The Legislative Assembly convenes on the second Monday in January in odd-numbered years, and in February in even-numbered years.

State K-12 Education Budget. SSF funding is set biennially in the State budget adopted by the Legislative Assembly in odd-numbered years (the "Legislatively Adopted Budget"). The State budget covers two fiscal years (a biennium) beginning July 1 of an odd-numbered year to June 30 of the next odd-numbered year, and sets funding for State agencies including ODE. The Legislative Assembly has the power to subsequently approve revisions to the Legislatively Adopted Budget. Such revised State budget is termed the "Legislatively Approved Budget."

The State Constitution requires the Legislative Assembly to balance the State's General Fund budget. The Department of Administrative Services Office of Economic Analysis (the "OEA") produces a forecast of projected revenues (a "Revenue Forecast") for the biennium generally each March, June (May in odd-numbered years), September and December. The OEA also produces a "Close of Session Forecast" after the end of the legislative session in odd years that reflects the May economic forecast adjusted for any changes made by the legislature.

Revenue Forecasts are based upon currently available information and upon a wide variety of assumptions. The actual results will be affected by future national and state economic activity and other events. If OEA's assumptions are not realized or if other events occur or fail to occur, the State's financial projections may not be achieved. Copies of the Revenue Forecasts are available from OEA at: www.oregon.gov/DAS/OEA.

If, over the course of a biennium, the forecasted revenues decline significantly from the Close of Session Forecast, the Legislative Assembly may meet to rebalance the budget, the Governor may direct that expenditures be reduced or the Legislative Assembly may adjust the budget when it meets in its regular session at the end of the biennium.

2015-17 Biennial State Budget. The budget adopted by the Legislature for the 2015-17 biennium, as adjusted during the 2016 regular session (the "Legislatively Approved Budget"), included \$70.892 billion in total funds, representing a 7.3 percent increase over the 2013-15 biennium's Legislatively Approved Budget of \$66.047 billion. The 2015-17 Legislatively Approved Budget includes \$18.075 billion in General Funds, \$0.958 billion Lottery Funds, \$22.917 billion Federal funds and \$28.942 billion Other Funds.

2017-19 Biennium State Budget. The Governor's Budget for the 2017-19 biennium was released December 1, 2016 and includes \$74.25 billion in expenditures which represents an approximate 4.7 percent increase over the adjusted 2015-17 biennium's Legislatively Approved Budget. The 2017-19 Governor's Budget includes \$19.77 billion in general funds, \$0.95 billion lottery funds, \$39.94 billion other funds, and \$22.3 billion Federal funds. The 2017-19 Governor's Budget proposes \$8.02 billion for the SSF which is a sixteen percent increase over the 2015-17 biennium allocation of \$6.91 billion. The Co-Chairs of the Legislature's Ways and Means Committee, which is charged with crafting a budget proposal for consideration by the Legislative Assembly, have released a 'Budget Framework' which, unlike the Governor's Budget, assumes no new resources are available in the next biennium. Under that set of assumptions, the level identified for the SSF would be \$7.8 billion, which is more than \$200 million less than what is estimated to cover District costs at Current Service Levels. The Co-Chairs are expected to follow up on this framework with a recommended budget after the next economic and revenue forecast is released for March, 2017. The Legislative Assembly will convene on February 1, 2017. Legislative committees will review the 2017-19 biennium Governor's Budget and pass a Legislatively Adopted Budget for the biennium before the Close of Session in June 2017.

2015-17 Biennium Revenue Forecasts. On November 16, 2016, the OEA released the December 2016 Revenue Forecast. The December 2016 Revenue Forecast for gross General Fund revenues for the 2015-17 biennium was \$18.0077 billion, up \$9.7 million from the Close of Session forecast, and down \$14.6 million from the September 2016 Revenue Forecast. Excluding the impact of laws enacted during the 2015 regular session, the General Fund forecast for the 2015-17 biennium has remained relatively unchanged. Personal income tax collections continue to reflect Oregon's strong underlying labor market and revenue growth would have been even more rapid in recent months if not for the payout of the personal income tax kicker generated during the 2013-15 biennium. Corporate tax collections have been falling sharply in recent months nationwide as profits have slowed, largely due to rapid appreciation of the dollar and struggles among energy firms and other commodity producers. Revenue declines were built into the forecast, leaving the outlook very close to the Close of Session forecast.

State General Fund Forecast Summary
(\$ in Millions)

	2015-17 Biennium Revenue Forecast			December 2016 Forecast Change From	
	Close of Session	September 2016	December 2016	September 2016	Close of Session
Structural Revenues					
Personal Income Tax	\$ 15,713.5	\$ 15,713.7	\$ 15,678.4	\$ (35.3)	\$ (35.1)
Corporate Income Tax	1,100.0	1,110.8	1,103.7	(7.1)	3.7
All Other Revenues	1,184.6	1,197.8	1,225.7	27.9	41.1
Gross General Fund Revenues	17,998.1	18,022.3	18,007.8	(14.5)	9.7
Beginning Fund Balance	532.9	528.8	528.8	0.0	(4.1)
Offsets and Transfers	(42.8)	(44.4)	(44.2)	0.2	(1.4)
Administrative Actions	(20.2)	(14.0)	(14.0)	0.0	6.2
Legislative Actions	(158.9)	(158.3)	(158.3)	0.0	0.6
Net Available Resources	\$ 18,309.1	\$ 18,334.3	\$ 18,320.0	\$ (14.2)	\$ 11.0

Source: Oregon Office of Economic Analysis, "Oregon Economic and Revenue Forecast, December 2016." November 16, 2016.

Income Tax Rebate. When total actual revenue collections in the General Fund (excluding corporate income tax receipts) exceed the Close of Session forecast by two percent or more, the collections above the forecasted amount are returned to individual income taxpayers, commonly known as the "kicker." The September 2015 Revenue Forecast indicated the personal tax kicker base exceeded the kicker threshold by \$111 million at the end of the 2013-15 biennium, resulting in a personal income tax kicker of \$402 million. The personal tax kicker refunds do not affect revenues for the 2013-15 biennium but reduces the revenues for the 2015-17 biennium as the refund was given as a credit on 2015 tax returns rather than a check at the end of the 2013-15 biennium.

When corporate income tax collections exceed the Close of Session forecast by two percent or more, the treatment is different. In 2012 Measure 85 amended the Constitution and the corporate tax kicker is no longer returned to corporations. Those revenues are now retained in the General Fund and dedicated to funding K-12 education. There is no guarantee that the Legislature will allocate future budgets such that total K-12 spending is increased by the exact amount of revenue generated by the corporate tax kicker. The September 2015 Revenue Forecast indicated the corporate tax kicker was approximately \$59 million for the 2013-15 biennium and these funds were allocated in the 2015-17 biennium. The December 2016 forecast is now projecting corporate income tax collections for 2015-17 will be only 0.3 percent higher than the Close of Session forecast and would not generate a corporate kicker at the end of the 2015-17 biennium.

2015-17 Biennium State School Fund. The 2015-17 Legislatively Adopted Budget included \$7.255 billion for the SSF which represented a nine percent increase over the 2013-15 biennium's Legislatively Approved Budget of \$6.650 billion. Of the \$605 million increase, \$220 million is intended for the implementation of full-day kindergarten. House Bill 5017 included a provision which automatically allocates 40 percent of any additional monies the May 2015 Revenue Forecast predicts will be available in the General Fund for the 2015-17 biennium compared to the March 2015 Revenue Forecast. The May 2015 Revenue Forecast predicted an additional \$264.5 million will be available, resulting in an increase of approximately \$106 million for K-12 education, bringing the total appropriation for the SSF in the 2015-17 biennium to \$7.376 billion. The 2015-17 Legislatively Approved Budget did not change the total appropriation.

Current and historical state funding levels are detailed in the following table.

**State K-12 Education Funding
(\$ in Millions)**

Biennium	Fiscal Year	Budget Appropriation
2015-17 ⁽¹⁾	2017	\$ 3,747
	2016	3,629
2013-15	2015	3,440
	2014	3,210
2011-13	2013	2,845
	2012	2,868
2009-11	2011	2,813
	2010	2,940
2007-09	2009	2,911
	2008	2,918

(1) Preliminary, subject to change. Includes the additional revenue from the May 2015 forecast which has been added to Fiscal Year 2017.

Source: Oregon Department of Education, School Finance Office: www.ode.state.or.us/search/results/?id=344.

Impact on the District. ODE provides SSF Grant estimates to each school district. Estimates are generally revised in July, October, February, March and May. The most recent ODE estimates for the District's SSF Grant for Fiscal Years 2016 and 2017 are shown in the following table.

North Clackamas School District No. 12
Historical and Projected Weighted Average Daily Membership and State School Fund Grant
State School Fund Grant Apportionment

	2016	2017
Extended ADMw:		
Current Fiscal Year Estimated ADMw	20,687.9	20,728.1
Prior Fiscal Year Estimated ADMw	19,744.8	20,687.9
Extended ADMw (greater of Current or Prior Year)	20,687.9	20,728.1
Experience Adjustment:		
District Average Teacher Experience	13.71	13.71
State Average Teacher Experience	12.42	12.42
Experience Adjustment (District and State Teacher Experience Difference)	1.29	1.29
Local Revenue:		
Property Taxes	\$ 56,600,000	\$ 61,056,000
Federal Forest Fees	90,000	90,000
Common School Fund	1,528,328	2,129,180
County School Fund	5,000	5,000
State Managed Timber	0	0
In-lieu of Property Taxes	0	0
Revenue Adjustments	0	0
Local Revenue	\$ 58,223,328	\$ 63,280,180
Transportation Grant:		
Net Eligible Transportation Costs	\$ 12,881,000	\$ 12,500,000
Grant (70% of Net Eligible Transportation Costs)	\$ 9,016,700	\$ 8,750,000
General Purpose Grant:		
(Extended ADMw x [\$4,500 + (\$25 x Experience Adjust.)]) x Funding Ratio =	\$ 145,080,183	\$ 148,591,627
Total Formula Revenue:		
General Purpose Grant + Transportation Grant =	\$ 154,096,883	\$ 157,341,627
State School Fund Grant:		
Total Formula Revenue - Local Revenue =	\$ 95,873,555	\$ 94,061,447

Source: Oregon Department of Education, School Finance Office, Fiscal Year 2016 data as of May 5, 2016 and Fiscal Year 2017 data as of December 5, 2016 www.ode.state.or.us/search/results?id=344.

School districts are required to file their annual audited financials with ODE within six months of the end of the fiscal year pursuant to ORS 327.137. Extensions may be granted by ODE for extenuating circumstances such as natural disasters. Any school district failing to file prior to the deadline and without an extension will not receive SSF payments until after the audit report has been filed. ODE will schedule the payment with the next regularly scheduled SSF payment date.

School districts that do not meet the rules and regulations of the State Board of Education (e.g., there must be at least 265 consecutive calendar days between the first and last instructional day of each school year) are classified as "non-standard." Under ORS 327.103, the Superintendent of Public Instruction may withhold portions of SSF monies otherwise allocated to any district that is found to be non-standard if deficiencies are not corrected before the beginning of the school year immediately following the date such district was found to be non-standard unless withholding of SSF monies would create an undue hardship or an extension has been granted by the Superintendent of Public Instruction. Such extension may not exceed 12 months. **The District has never been classified as "non-standard."**

State Reserve Funds

The 2007 Legislative Assembly created two budgetary reserve funds, the Rainy Day Fund and the Education Stability Fund. With the approval of three-fifths of each house, the Legislative Assembly may appropriate up to two-thirds of the money in the Rainy Day Fund or Education Stability Fund for use in any biennium if certain economic or revenue triggers occur. The December 2016 Forecast projects that at the end of the 2015-17 biennium the Rainy Day Fund and the Education Stability Fund will have ending fund balances of \$387.6 million and \$383.2 million, respectively.

Rainy Day Fund. The Rainy Day Fund may be drawn on for any General Fund purpose in the event of a decline in employment, a projected budgetary shortfall or a declaration of a state of emergency. In September 2007 the State made an initial deposit into the Rainy Day Fund of \$319.2 million from the corporate tax kicker. The Oregon Rainy Day Fund retains interest earnings in the fund. The Rainy Day Fund receives biennial deposits from the ending General Fund balance in an amount equal to the lesser of (a) the actual General Fund ending balance for the preceding biennium or (b) one percent of the amount of General Fund appropriations for the preceding biennium. The amount on deposit with the Rainy Day Fund is capped at 7.5 percent of General Fund revenues for the prior biennium.

Education Stability Fund. Under the Oregon Constitution, 18 percent of the net proceeds from the State Lottery must be deposited in the Education Stability Fund quarterly. The Education Stability Fund currently does not retain earnings in the fund. The amount in the Education Stability Fund may not exceed five percent of the amount that was collected as revenues in the State's General Fund during the prior biennium.

Construction Excise Tax

School districts may levy a tax for capital improvements on new residential, commercial and industrial development ("Construction Excise Tax"). Affordable housing, public improvements, agricultural buildings, hospitals, private schools, and religious facilities are exempted from the Construction Excise Tax. The Construction Excise Tax is currently limited to: (i) \$1.17 per square foot on residential construction and (ii) 58¢ per square foot on non-residential construction up to the lesser of \$29,200 per building permit or \$29,200 per structure. The tax rate limits are adjusted annually by the Oregon Department of Revenue for changes in construction costs. The Construction Excise Tax is not subject to voter approval.

Revenue generated through a Construction Excise Tax can be used to acquire land, construct, reconstruct or improve school facilities, acquire or install equipment, furnishings or other tangible property, pay for architectural, engineering, legal or other costs related to capital improvements, any expenditure for assets that have a useful life of more than one year, or the payment of obligations and related costs of issuance that are issued to finance or refinance capital improvements.

The District. The Board adopted resolution number 07/08-44 to impose the maximum construction excise tax on October 4, 2007. The District has collected the following construction excise taxes in recent years:

North Clackamas School District No. 12 Construction Excise Taxes Received

Fiscal Year	Amount Collected
2017 ⁽¹⁾	\$1,800,000
2016	1,608,377
2015	862,460
2014	1,349,704
2013	1,194,902
2012	786,256

(1) Projected.

Source: District Audited Financial Statements, Fiscal Year 2016-17 Adopted Budget.

Federal Forest Fees. In 2000, Congress passed the Secure Rural Schools and Community Self-Determination Act (the “SRS Act”) to replace a previous revenue sharing program. The SRS Act provides funding from the federal government to 18 of Oregon’s 36 counties for schools, roads, and other purposes (“Federal Forest Fees”). The U.S. Congress has passed several extensions of the SRS Act, the most recent occurring on April 16, 2015 which extended payments through September 30, 2016. Each eligible county was required to elect a payment option:

- A share of the State’s 25 percent payment which is based on a seven year rolling average of national forest receipts, distributed among the counties in which the national forest is situated in proportion to acreage of national forest in the affected counties. Payments must be used for public schools and roads however, the State has broad discretion as to how to allocate the payment for public schools and roads, including authorizing the county to make the allocation.
- A share of the “State payment” which is allocated according to federal guidelines to be used for public schools and roads (commonly called title I funds), title II special projects on national forests, and title III county funds to be used for Firewise communities activities, to reimburse counties for emergency services on the national forests and for development of community wildfire protection plans.

Revenue losses from a discontinuation of the SRS Act will be spread across all school districts statewide as Federal Forest Fees are included in local revenue for calculation of SSF Grants (see “State of Oregon Public School Funding – State School Fund” herein).

Financial Factors

Financial Reporting and Accounting Policies

The District’s basic financial statements were prepared in conformity with generally accepted accounting principles (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”).

Additional information on the District’s accounting methods is available in the District’s audited financial statements. A copy of the District’s audited financial report for Fiscal Year 2015 is attached hereto as Appendix B.

Auditing

Each Oregon political subdivision must obtain an audit and examination of its funds and account groups at least once each year pursuant to the Oregon Municipal Audit Law, ORS 297.405-297.555. Political subdivisions having annual expenditures of less than \$750,000, with the exception of counties and school districts, are exempt from this requirement. All Oregon counties and school districts, regardless of amount of annual expenditures, must obtain an audit annually. The required audit may be performed by the State Division of Audits or by independent public accountants certified by the State as capable of auditing political subdivisions. School districts are required to file their audit annually with ODE within six months of the end of the fiscal year pursuant to ORS 327.137. See “Revenue Sources – State School Funding” herein.

The District audits for the Fiscal Years 2011 through 2016 (“District Audited Financial Statements”) were performed by Pauly, Rogers and Co. PC, CPAs, Tigard, Oregon (the “Auditor”). The audit report for Fiscal Year 2016 indicates the financial statements, in all material respects, fairly present the District’s financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and the respective changes in financial position and the cash flows, where applicable, in conformance with accounting principles generally accepted in the United States of America. The Auditor was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of their report on the 2016 Fiscal Year.

As part of the District’s continuing disclosure filings, future financial statements may be obtained from the Electronic Municipal Market Access (“EMMA”) system, a centralized repository operated by the Municipal

Securities Rulemaking Board ("MSRB"), currently located at: www.emma.msrb.org. See "Continuing Disclosure," herein.

Summaries of the District's Net Position and Changes in Net Position follow:

Statement of Net Position
(Fiscal Years - \$ in thousands)

Assets	2011	2012	2013	2014	2015	2016
Current and other assets	\$ 111,601	\$ 122,446	\$ 115,989	\$ 119,838	\$ 56,641	\$ 56,493
Net pension asset ⁽¹⁾					12,450	-
Net capital assets	<u>348,284</u>	<u>352,086</u>	<u>344,581</u>	<u>336,179</u>	<u>328,375</u>	<u>321,948</u>
Total Assets	<u>459,885</u>	<u>474,532</u>	<u>460,570</u>	<u>456,017</u>	<u>397,466</u>	<u>378,441</u>
Deferred outflows					35,334	39,713
Liabilities						
Long-term debt	376,532	376,754	364,692	349,020	348,574	357,503
Other Liabilities	<u>31,852</u>	<u>31,284</u>	<u>30,680</u>	<u>27,416</u>	<u>42,499</u>	<u>42,548</u>
Total Liabilities	<u>408,384</u>	<u>408,038</u>	<u>395,372</u>	<u>376,436</u>	<u>391,073</u>	<u>400,051</u>
Deferred inflows					17,247	6,855
Net Position						
Invested in capital assets, net of related debt	85,125	93,717	76,045	81,726	51,288	62,543
Restricted	12,203	15,346	13,639	12,650	8,634	8,321
Unrestricted	<u>(45,827)</u>	<u>(42,569)</u>	<u>(24,486)</u>	<u>(14,795)</u>	<u>(35,442)</u>	<u>(59,617)</u>
Total Net Position	<u>\$ 51,501</u>	<u>\$ 66,494</u>	<u>\$ 65,198</u>	<u>\$ 79,581</u>	<u>\$ 24,480</u>	<u>\$ 11,247</u>

- (1) The District adopted GASB Statements 68 and 71 in Fiscal Year 2015 which establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures for pension plans. The State of Oregon Public Employees Retirement System (the "System") was found to have a net pension asset as of the measurement date of June 30, 2014. The System's benefit terms were changed subsequent to the measurement date (see "Financial Factors - Pension System - 2013 Legislative Changes" herein) and it is estimated that, as of June 30, 2015, the District has a net pension liability of \$31,054,190 as a result of the decision.

Source: District Audited Financial Statements; Milliman's GASB 68 Employer Reporting Schedule of Pension Amounts for June 30, 2015.

Statement of Revenues, Expenses and Changes in Net Position
(Fiscal Years - \$ in thousands)

Revenues:	2011	2012	2013	2014	2015	2016
Program Revenues:						
Charges for services	\$ 3,876	\$ 4,305	\$ 4,183	\$ 4,402	\$ 4,398	\$ 4,211
Operating grants and contributions	12,291	13,264	10,269	11,281	13,120	11,477
Capital grants	-	-	6	-	-	-
General Revenues:						
Property taxes	66,524	74,399	70,032	74,988	76,912	86,403
State school fund	84,714	92,211	92,964	99,525	104,291	108,841
Miscellaneous	<u>6,752</u>	<u>3,827</u>	<u>2,693</u>	<u>2,200</u>	<u>2,826</u>	<u>3,130</u>
Total Revenues	<u>174,157</u>	<u>188,006</u>	<u>180,147</u>	<u>192,396</u>	<u>201,547</u>	<u>214,062</u>
Expenses:						
Instruction	87,973	85,372	88,105	89,985	88,537	120,335
Support services	58,904	60,359	63,209	61,045	60,239	80,169
Community services	7,312	7,443	7,219	7,190	6,980	8,935
Interest on long-term debt	<u>13,477</u>	<u>19,837</u>	<u>19,811</u>	<u>19,794</u>	<u>16,980</u>	<u>17,858</u>
Total Expenses	<u>167,666</u>	<u>173,011</u>	<u>178,344</u>	<u>178,014</u>	<u>172,736</u>	<u>227,296</u>
Increase (decrease) in net position	6,491	14,995	1,803	14,382	28,811	(13,233)
Net position- July 1 (as restated)	<u>45,010</u>	<u>51,500</u>	<u>66,495</u>	<u>65,198</u>	<u>79,580</u>	<u>24,480</u>
Restatement of net position	-	-	(3,100)	-	(83,911) ⁽¹⁾	-
Total Net Position	<u>\$ 51,501</u>	<u>\$ 66,495</u>	<u>\$ 65,198</u>	<u>\$ 79,580</u>	<u>\$ 24,480</u>	<u>\$ 11,247</u>

(1) Pursuant to the implementation of GASB Statements No. 68 and 71, the District restated the beginning net position to reflect a reduction in the net position of \$83.9 million.

Source: District Audited Financial Statements.

A five-year summary of the District's General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance follows.

General Fund Balance Sheet
(Fiscal Years)

Assets	2011	2012	2013	2014	2015	2016
Cash and cash equivalents	\$ 6,763,271	\$ 21,827,286	\$ 20,779,087	\$ 19,472,174	\$ 22,374,881	\$ 10,177,672
Property taxes and other receivables	4,543,167	5,623,688	5,381,975	5,259,793	5,950,926	6,027,808
Due from other funds	4,604,290	-	-	-	-	15,830,309
Inventories	47,817	27,809	38,187	-	-	-
Total Assets	15,958,545	27,478,783	26,199,249	24,731,967	28,325,807	32,035,789
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	1,125,170	2,292,781	829,338	625,713	891,730	520,244
Accrued payroll, taxes, and employee withholdings	5,071,600	10,398,547	12,735,034	5,809,359	6,640,498	6,758,904
Due to other funds	901	1,497,922	2,723,281	672,715	160,187	-
Unearned Revenue	-	-	-	3,028,875	28,875	28,875
Deferred revenue:						
Property taxes and other	3,409,347	3,143,299	3,153,769	3,157,447	3,180,737	3,368,856
Total Liabilities:	9,607,018	17,332,549	19,441,422	13,294,109	10,902,027	10,676,879
Fund Balances:						
Nonspendable- Inventory	47,817	27,809	38,187	-	-	-
Restoration of School Days	1,200,000	-	-	-	-	-
Assigned	2,000,000	-	-	-	-	-
Unassigned	3,103,710	10,118,425	6,719,640	11,437,858	17,423,780	21,358,910
Total Fund Balances	6,351,527	10,146,234	6,757,827	11,437,858	17,423,780	21,358,910
Total Liabilities and Fund Balance	\$ 15,958,545	\$ 27,478,783	\$ 26,199,249	\$ 24,731,967	\$ 28,325,807	\$ 32,035,789

Source: District Audited Financial Statements.

**General Fund Statement of Revenues, Expenditures and
Changes in Fund Balance
(Fiscal Years)**

Revenues	2011	2012	2013	2014	2015	2016
Taxes	\$ 46,479,008	\$ 46,359,514	\$ 46,733,073	\$ 50,457,433	\$ 54,417,758	\$ 57,376,004
Federal grants	5,043,231	2,132,503	90,745	85,457	85,319	97,719
State and local sources	77,326,865	85,801,036	85,252,404	93,452,311	97,996,551	100,572,103
Earnings from investments	122,428	155,110	170,871	199,999	214,269	270,574
Services provided other funds	657,914	1,136,177	1,350,824	1,486,003	1,926,568	2,034,414
Miscellaneous	389,857	689,214	519,244	429,120	747,742	416,343
Total Revenues	<u>130,019,303</u>	<u>136,273,554</u>	<u>134,117,161</u>	<u>146,110,323</u>	<u>155,388,207</u>	<u>160,767,157</u>
Expenditures						
Instruction	76,586,113	75,557,120	78,314,065	82,332,470	86,267,941	90,702,478
Support services	52,175,889	54,456,753	56,273,652	58,146,453	60,693,576	61,774,474
Community Services	-	-	-	-	315	20,909
Facilities Acquisition	-	-	-	90,000	665	-
Capital Outlay	577	1,028	24,173	3,345	55,019	95,610
Total Expenditures	<u>128,762,579</u>	<u>130,014,901</u>	<u>134,611,890</u>	<u>140,572,268</u>	<u>147,017,516</u>	<u>152,593,471</u>
Excess (deficiency) of revenues over expenditures	<u>1,256,724</u>	<u>6,258,653</u>	<u>(494,729)</u>	<u>5,538,055</u>	<u>8,370,691</u>	<u>8,173,686</u>
Other Financing Sources (Uses)						
Transfers in	3,246,341	274,506	272,741	1,818,022	97,741	367,000
Transfers out	(1,767,366)	(2,738,452)	(3,166,419)	(2,676,046)	(2,482,510)	(4,605,556)
Total Other Financing Sources (Uses)	<u>1,478,975</u>	<u>(2,463,946)</u>	<u>(2,893,678)</u>	<u>(858,024)</u>	<u>(2,384,769)</u>	<u>(4,238,556)</u>
Change in fund balance	2,735,699	3,794,707	(3,388,407)	4,680,031	5,985,922	3,935,130
Fund balance at beginning of year	3,615,828	6,351,527	10,146,234	6,757,827	11,437,858	17,423,780
Ending fund balance	<u>\$ 6,351,527</u>	<u>\$ 10,146,234</u>	<u>\$ 6,757,827</u>	<u>\$ 11,437,858</u>	<u>\$ 17,423,780</u>	<u>\$ 21,358,910</u>

Source: District Audited Financial Statements.

Budgetary Process

The District prepares an annual budget in accordance with Oregon Local Budget Law (ORS Chapter 294) which establishes standard procedures for all budget functions for Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

The District's administrative staff evaluates the budget requests of the various departments of the District to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of Board members and lay members. After giving due consideration to the input received from the citizens, the Board of Directors adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted no later than June 30 of each Fiscal Year.

The budget may be amended during the applicable Fiscal Year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the Board pursuant to ORS 294.471.

General Fund Adopted Budget (Fiscal Years)

Resources	2016	2017
Local Sources	\$ 56,320,500	\$ 62,412,500
Intermediate Sources	2,626,500	2,648,500
State Sources	100,350,491	101,146,643
Federal Sources	90,000	90,000
Interfund Transfers	439,741	25,000
Sale of Fixed Assets	0	1,975,000
Beginning Fund Balance	11,021,752	23,672,432
Total Resources	\$ 170,848,984	\$ 191,970,075
Requirements		
Instruction	\$ 94,507,681	\$ 100,774,529
Support Services	64,252,790	67,934,551
Enterprise and Community Services	44,647	4,839
Facilities, Acquisition, Construction	40,000	40,000
Other Uses	2,630,556	2,830,556
Contingency	9,373,310	20,385,600
Total Expenditures	\$ 170,848,984	\$ 191,970,075

Source: District Adopted Fiscal Year 2017 Budget.

Investments

ORS 294.035 authorizes Oregon political subdivisions to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed and approved by the Oregon Short Term Fund Board. ORS 294.052 authorizes Oregon political subdivisions to invest proceeds of bonds or certificates of participation and amounts held in a fund or account for such bonds or certificates of participation under investment agreements if the agreements: (i) produce a guaranteed rate of return; (ii) are fully collateralized by direct obligations of, or obligations guaranteed by, the United States; and (iii) require that the collateral be held by the municipality, an agent of the municipality or a third-party safekeeping agent. The District has its own investment policy which is available upon request.

Political subdivisions are also authorized to invest approximately \$47.4 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" (ORS 293.726) and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. A listing of investments held by the Oregon Short-Term Fund is available on the Oregon State Treasury website under "Other OSTF Reports - OSTF Detailed Monthly Reports" at [http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx).

Pension System

General. The District participates in a retirement pension benefit program under the State of Oregon Public Employees Retirement System ("PERS" or the "System"). After six full months of employment, all District employees are required to participate in PERS. Contributions to the system are divided into those that must be paid by employers, and those that may be paid by employees, or employers on their behalf, depending on the individual contract negotiated between the two. See "Employer Contribution Rates" herein.

T1/T2 Pension Programs. Employees hired before August 29, 2003 participate in the “Tier 1” and “Tier 2” pension programs (the “T1/T2 Pension Programs”). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Since January 1, 2004, 6% of each employee’s salary is contributed to fund individual retirement accounts under a separate defined contribution program known as the Individual Account Program (the “IAP”).

OPSRP. Employees hired on or after August 29, 2003 participate in the Oregon Public Service Retirement Plan (“OPSRP”) unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a defined benefit pension plan, but also provides access to the IAP.

Actuarial Valuation. Oregon statutes require an actuarial valuation of the System at least once every two years. PERS’ current actuary is Milliman, Inc. (“Milliman”) which replaced the prior actuary, Mercer (US), Inc. in January 2012. Based on the biennial actuarial valuation as of December 31 of odd-numbered years the Oregon Public Employees Retirement System Board (the “PERB”) establishes the contribution rates that employers will pay to fund the T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program (“RHIA”) described herein. Actuarial valuations are performed annually as of December 31 of each year, with the valuations as of December 31 of odd-number years (such as 2015) used to set payroll contribution rates and valuations as of even-numbered years (such as 2014) used for advisory purposes only..

Actuarial valuations are performed for the entire System (the “System Valuation”), and for each participating employer, including the District (the “District Valuation”). Valuations are released nine to eleven months after the valuation date. Current payroll rates are based on the 2013 Valuation, and those rates will extend through June 30, 2017.

Valuation Date	Release Date	Rates Effective
December 31, 2013	September 2014	July 1, 2015 – June 30, 2017
December 31, 2014	November 2015	Advisory only
December 31, 2015	September 2016	July 1, 2017 – June 30, 2019

Valuations are based on complex models which utilize assumptions on rates of return, payroll growth rates and demographic trends. Should those assumptions prove inaccurate, liabilities of the system may be higher or lower than calculated. Any increases or decreases in liabilities will be absorbed into future payroll rates assessed against employer payrolls. Further, should the PERB direct the actuary to change assumptions utilized in the model, it may affect payroll rates assessed against employer payrolls. In recent months, the PERB has discussed potentially lowering the rate of return assumption utilized in the Actuary’s model. Should that be implemented, unfunded liabilities would be expected to rise above current levels. See “Actuarial Assumptions – 2014 and 2015 Valuations” and “Employer Assets, Liabilities, and Unfunded Actuarial Liabilities” herein.

2015 System Valuation Summary. The December 31, 2015 Valuation (the “2015 Valuation”) was released on September 27, 2016. The 2015 Valuation indicated that the System-wide funded status decreased from approximately 76 percent at December 31, 2014 to 71 percent as of December 31, 2015, without taking into account offsets for deposits made by individual employers from bond proceeds or cash on hand in side accounts (see “Pension Bonds and Side Accounts” herein). The System-wide unfunded actuarial liability (“UAL”) increase from approximately \$17.9 billion as of December 31, 2014 to \$21.8 billion as of December 31, 2015 is largely attributable to actual investment returns of 2% during 2015, substantially less than the 7.50 percent assumed rate of return.

The funded status of PERS and of the District as reported by Milliman, will change over time depending on a variety of factors, including the market performance of the investments in which the Oregon Public Employees Retirement Fund (“OPERF”) is invested, future changes in compensation and benefits of covered employees, demographic characteristics of members, methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS, and other actions taken by the PERB.

Actuarial Assumptions – 2013 Valuation. Significant actuarial assumptions and methods used in the 2013 Valuation, which covers payroll rates paid through June 30, 2017, included a) the Entry Age Normal method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 7.75 percent (the “Assumed Earnings Rate”), (d) payroll growth rate of 3.75 percent, (e) consumer price inflation of 2.75 percent per year, f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for all T1/T2 UALs derived from the 2013 Valuation and thereafter, and through 2033 for all T1/T2 UALs derived from the 2007, 2009 and 2011 valuations, and 16 years (fixed) from the date of the first rate-setting valuation at which the UAL is recognized for OPSRP, and g) a rate collar to limit increases or decreases in employer contribution rates from biennium to biennium (the “Rate Collar”) (see “Contribution Rate Collar” below).

Actuarial Assumptions – 2014 and 2015 Valuations. At their July 31, 2015 Board meeting, the PERB adopted revisions to its actuarial assumptions and methods based upon recommendations from Milliman. These changes include: a) lowering the assumed earnings rate to 7.50 percent; b) reducing the payroll growth rate from 3.75% to 3.50%; and c) updating the mortality assumptions to increase projections of life expectancy. The revised assumptions are incorporated into the December 31, 2014 (advisory only) and December 31, 2015 (rate-setting for 2017-19 biennium) actuarial valuations.

In recent meetings, the PERB has discussed the potential further reduction in the assumed earnings rate. Should such action be taken, unfunded liabilities and employer payroll rates would be expected to rise; however such increases would not take effect until the 2019-21 biennium or thereafter.

Employer Assets, Liabilities, and Unfunded Actuarial Liabilities. An employer’s unfunded actuarial liability (“UAL”) is the excess of the actuarially determined present value of the employer’s benefit obligations to employees over the existing assets available to pay those benefits.

District UAL. For the T1/T2 Pension Programs, the District is pooled with other kindergarten through grade 12 public school district and education service district public employers (the “School District Pool”). The District’s portion of the School District Pool’s assets and liabilities is based on the District’s proportionate share of the School District Pool’s pooled payroll (the “District Allocated T1/T2 UAL”). Changes in the District’s relative growth in payroll will cause the District Allocated T1/T2 UAL to shift. The District Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. According to the 2015 Valuation, as of December 31, 2015, the School District Pool funded status was 71 percent without taking into account offsets for deposits made by individual employers from bond proceeds or cash on hand in side accounts.

OPSRP’s assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The District’s allocated share of OPSRP’s assets and liabilities is based on the District’s proportionate share of OPSRP’s pooled payroll (the “District Allocated OPSRP UAL”). Changes in the District’s relative growth in payroll will cause the District Allocated OPSRP UAL to shift. As of December 31, 2015, the OPSRP funded status was 64 percent without taking into account offsets for deposits made by individual employers from bond proceeds or cash on hand in side accounts.

Pension Bonds and Side Accounts. In October 2002 and April 2003, the District issued pension bonds to make lump-sum payments to PERS of \$50,246,326, and \$62,502,309, respectively. The payments were deposited in an account for the District (the “District’s Side Account”) that is used towards all or a portion of the District Allocated T1/T2 UAL and District Allocated OPSRP UAL, reducing the District’s contribution rates, although debt service payments are also due on the pension bonds.

The District’s net unfunded pension UAL is the total of the District Allocated T1/T2 UAL and District Allocated OPSRP UAL, less the balance in the District’s Side Account. The District’s net unfunded pension UAL as reported in the District’s actuarial valuation report as of December 31, 2013 (the “2013 District Valuation”) and as reported in the District’s actuarial valuation report as of December 31, 2015 (the “2015 District Valuation”) is shown in the following table.

North Clackamas School District No. 12 Net Unfunded Pension Liability

	2013 Valuation ⁽¹⁾	2015 Valuation ⁽²⁾
Allocated pooled T1/T2 UAL	\$ 93,248,923	\$ 213,641,616
Allocated pooled OPSRP UAL	5,243,250	11,644,210
District Side Account	<u>(135,030,569)</u>	<u>(125,429,625)</u>
Net unfunded pension actuarial accrued liability/(surplus)	<u>\$ (36,538,396)</u>	<u>\$ 99,856,201</u>

- (1) Takes into account certain legislative changes under SB 822 and SB 861 during the 2013 Legislative Session, see “2013 Legislative Changes” herein.
- (2) Takes into account a Supreme Court ruling reversing most of the legislative changes made during the 2013 Legislative Session and the changes in the actuarial assumptions made by the PERB at its July 31, 2015 meeting, see “2013 Legislative Changes,” and “Actuarial Assumptions – 2014 and 2015 Valuations.” herein.

Source: 2013 District Valuation and 2015 District Valuation.

Employer Contribution Rates. Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations, litigation, decisions by the PERB and changes in benefits resulting from legislative modifications. Pursuant to ORS 238.225, all participating employers are required to make their contribution to PERS based on the employer contribution rates set by the PERB. Employees are required to contribute six percent of their annual salary to the IAP. Employers are allowed to pay the employees’ contribution in addition to the required employers’ contribution. The District has elected to make the employee contribution.

Rate Collar. The PERB uses a rate collar to limit increases in employer contribution rates from biennium to biennium (the “Rate Collar”) to smooth the impact of significant increases or decreases from one valuation to the next. The Rate Collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with RHIA. Under normal conditions, the Rate Collar is the greater of three percent of payroll (the “3% parameter”) or 20 percent of the current base rate (the “20% parameter”). If the funded status of an employer or the pool in which the employer participates is below 70 percent (or above 130 percent), the Rate Collar increases by 0.3 percent of payroll if under the 3% parameter, or two percent of the current base rate if under the 20 percent parameter, for every percentage point under the 70 percent (or above 130 percent) funded level (the “Collar Ramp”) until it reaches six percent of payroll, or 40 percent of the current rate base at the 60 percent (or above 140 percent) funded level (the “Double Rate Collar”).

If the projected rate necessary to fully fund the system (the “Uncollared Rate”) causes an increase or decrease in rates that exceeds the Rate Collar, the excess increase or decrease is deferred to future rate cycles. The 2015 Valuation calculates the Uncollared Rate (before adjusting for side accounts and RHIA) for T1/T2 employees for the School District Pool of 32.91% for the 2017-19 biennium; however, the Rate Collar limits the rate to 25.43% of payroll.

District Contribution Rates. The 2015-17 biennial employer contribution rates for the Pension Programs incorporate the impacts of the legislative changes approved by the 2013 Legislature, many of which were later reversed by the Supreme Court (see “2013 Legislative Changes” below). The Supreme Court’s actions do not affect these rates, but will affect rates beginning in the 2017-19 biennium.

The District’s current contribution rates for the 2015-17 biennium under the 2013 valuation, and contribution rates for the 2017-19 biennium under the 2015 valuation are provided in the following table.

North Clackamas School District No. 12 Pension Contribution Rates

	<u>2015-17 Biennium</u>			<u>2017-19 Biennium</u>		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Normal cost rate	11.94%	7.33%	11.44%	13.28%	8.02%	12.79%
T1/T2 UAL rate	9.25	9.25	9.25	12.15	12.15	12.15
OPSRP UAL rate	0.61	0.61	0.61	1.27	1.27	1.27
Side account rate relief	(17.01)	(17.01)	(17.01)	(16.11)	(16.11)	(16.11)
Retiree Healthcare rate (RHIA) ⁽¹⁾	0.53	0.45	0.45	0.50	0.43	0.43
Total net contribution rate	<u>5.32%</u>	<u>0.63%</u>	<u>4.74%</u>	<u>11.09%</u>	<u>5.76%</u>	<u>10.53%</u>

(1) Contribution rates to fund RHIA benefits are included in the total District employer contribution rate, but are not a pension cost. See "Other Postemployment Benefits – Retirement Health Insurance Account" below.

Source: 2013 District Valuation, 2015 District Valuation and PERS.

District Contributions. The District's historical and projected annual contributions to PERS are provided in the following table.

North Clackamas School District No. 12 Pension Contributions

Fiscal Year	District Contribution⁽¹⁾
2017 ⁽²⁾	\$11,924,816
2016	7,991,104
2015	7,559,637
2014	9,914,331
2013	9,188,830
2012	8,922,096
2011	4,888,192

(1) District's contribution to PERS which is net of the side account rate credit draw.

(2) Projected.

Source: North Clackamas School District No. 12 and District Audited Financial Statements.

2013 Legislative Changes. During the 2013 Legislative Session (the "Legislative Session"), and a subsequently called special session, (the "Special Session"), the Legislative Assembly adopted various changes to PERS. These bills limited annual cost of living adjustments ("COLAs"), eliminated a benefit increase for out-of-state retirees based on Oregon income tax, excluded salary increases given to pay for insurance costs from the final average salary used to calculate pension benefits, and reduced legislators' participation in PERS. Although these revisions were estimated to reduce the total accrued actuarial liability of the System by approximately \$4.7 billion the Supreme Court later reversed many of these changes. Petitioners in the case alleged that the enacted legislation constituted a breach of contract as well as an impairment of contract and a taking of property rights in violation of the Oregon and United States constitutions. The Court's decision largely agreed with this claim, and invalidated the reductions in cost of living adjustments ("COLAs") insofar as they applied to benefits that members earned before the effective dates of the legislative changes. The decision held that adjustments to COLAs were permissible insofar as they applied to benefits that members earn on or after the effective dates of the legislative changes. The Court also upheld the elimination of a benefit increase for out-of-state retirees.

The District cannot predict whether any legislation or related actions will attempt to further modify the PERS system and/or whether such attempts would withstand legal challenge.

GASB 67 and GASB 68. In June 2012, the GASB approved Statements No. 67 and No. 68 that modify the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67 ("GASB 67"), Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68 ("GASB 68"), Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees

with pensions. The System is subject to GASB 67; each participating employer, including the District is subject to GASB 68. The guidance contained in these statements changes how governments calculate and report the costs and obligations associated with pensions. GASB 67 was effective for Fiscal Year 2014 and GASB 68 was effective for Fiscal Year 2015. PERS contracted with Milliman to provide information for local governments to use in their financial statements.

At June 30, 2015 the District reported a total net pension asset of \$12,449,878 for its proportionate share of the net pension asset. Such information for Fiscal Year 2015 does not reflect the Supreme Court's reversal of 2013 Legislative changes (see "2013 Legislative Changes" herein) due to GASB's timing rules and therefore understates the District's obligations. The impact of the Supreme Court decision will be reflected in the Fiscal Year 2016 financial report. Such impact on the total pension liability and the District's net pension liability or asset has not yet been fully determined; however, PERS recently released Milliman's estimates as of June 30, 2015, which state the District has a net pension liability (instead of an asset as reported for the Fiscal Year 2015 financial statement) of \$31,054,190 as a result of the Supreme Court's decision. The District's audited financial statement for Fiscal Year 2015 is attached hereto as Appendix B. See Note 7 for detailed information on the District's reporting under GASB 68, the actuarial assumptions used and the sensitivity analysis for the District's liability. See also the information presented in the table above entitled the "North Clackamas School District No. 12's Net Unfunded Pension Liability", which presents information from the District's most recent actuarial valuation.

Other Postemployment Benefits

Retirement Health Insurance Account. PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under the RHIA plan. The RHIA program's assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. According to the 2015 System Valuation, this program had a UAL of approximately \$46.3 million. The District's allocated share of the RHIA program's assets and liabilities is based on the District's proportionate share of the program's pooled payroll. According to the 2015 District Valuation, the District's allocated share of the RHIA program's UAL was \$397,712.

Medical Benefits- Implicit Subsidy. GASB 45 requires the District to determine the extent of its liabilities for post-employment benefits and record the liability in its financial statements on an actuarial basis. This includes the requirement under ORS 243.303 of offering the same healthcare benefits for current District employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. GASB 45 refers to this as an "implicit medical" benefit and requires that the corresponding liability be determined and reported. The District implemented this pronouncement for the fiscal year ended June 30, 2008.

Confidential employees are provided an allowance to pay for continued coverage under one or more of the District's benefit plans. Because this benefit is contingent on the retiree's continued coverage under the District's health plan the benefit is within the scope of GASB 45 and are referred to as "explicit medical" benefits.

The District's annual other post-employment benefit ("OPEB") cost is calculated based on the annual required contribution (the "ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table details the District's ARC and Net OPEB Obligation.

Annual Required Contribution (Medical Benefits)

	2012	2013	2014	2015	2016
Annual required contribution	\$ 2,583,065	\$ 1,585,417	\$ 1,585,417	\$ 474,167	\$ 463,616
Interest on prior net OPEB obligation	214,556	264,415	285,409	304,693	301,082
Adjustment to annual required contribution	(354,255)	(436,579)	(471,241)	(518,173)	(512,033)
Annual OPEB cost	2,443,366	1,413,253	1,399,585	260,687	252,665
Contributions	(781,370)	(713,465)	(756,800)	(381,031)	(387,768)
Increase in net obligation	1,661,996	699,788	642,785	(120,344)	(135,103)
Net OPEB obligation - beginning of Fiscal Year	7,151,853	8,813,849	9,513,637	10,156,422	10,036,078
Net OPEB obligation - end of Fiscal Year	\$ 8,813,849	\$ 9,513,637	\$ 10,156,422	\$ 10,036,078	\$ 9,900,975
% of Annual OPEB Cost Contributed	32%	50%	54%	146%	153%

Source: District's Other Post-Employment Benefits Program, Actuarial Valuation Report as of June 30, 2015.

The District obtains an updated actuarial valuation of the plan every two years. The following table presents the UAAL from the actuarial valuations completed since the adoption of GASB 45.

Unfunded Actuarial Accrued Liability (Medical Benefits)

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
6/30/2015	-	\$ 5,288,603	\$ 5,288,603	0%	\$ 76,160,245	7%
6/30/2013	-	14,389,637	14,389,637	0%	71,792,068	20%
6/30/2011	-	19,363,213	19,363,213	0%	75,040,356	26%

Source: District's Other Post-Employment Benefits Program, Actuarial Valuation Report as of June 30, 2015.

Stipend Benefits. The District offers stipend benefits to all retired licensed employees and administrators who meet certain qualifications. The following table details the components of the Net Pension Obligation at the end of the year:

Annual Required Contribution (Stipend Benefits)

	2012	2013	2014	2015	2016
Annual required contribution (Stipend)	\$ 1,094,150	\$ 1,099,043	\$ 1,099,043	\$ 1,037,402	\$ 1,002,826
Interest on OPEB obligation (BOY)	26,277	30,897	35,372	29,250	32,910
Adjustment to ARC for net pension obligation	(43,386)	(51,015)	(58,403)	(49,744)	(55,968)
Annual pension cost	1,077,041	1,078,925	1,076,012	1,016,908	979,768
Estimated contributions	(923,029)	(929,773)	(1,280,063)	(894,926)	(1,032,418)
Increase (decrease) in net obligation	154,012	149,152	(204,051)	121,982	(52,650)
Net OPEB obligation - beginning of Fiscal Year	875,898	1,029,910	1,179,062	975,011	1,096,993
Net OPEB obligation - end of Fiscal Year	\$ 1,029,910	\$ 1,179,062	\$ 975,011	\$ 1,096,993	\$ 1,044,343
% of Annual OPEB Cost Contributed	86%	86%	119%	88%	105%

Source: District's Other Post-Employment Benefits Program, Actuarial Valuation Report as of June 30, 2015.

Unfunded Actuarial Accrued Liability (Stipend Benefits)

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
6/30/2015	-	11,155,722	11,155,722	0%	52,641,795	21%
6/30/2013	-	11,070,495	11,070,495	0%	49,621,196	22%
6/30/2011	-	9,225,232	9,225,232	0%	50,660,892	18%

Source: District's Other Post-Employment Benefits Program, Actuarial Valuation Report as of June 30, 2015.

See Note 10 “Other Post Employment Benefits” of the District’s audited financial statements for Fiscal Year 2016 for more information on the District’s liability under GASB 45.

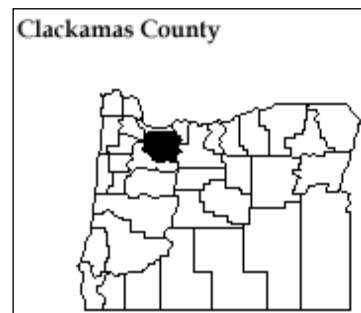
Risk Management

The District is exposed to various risks of loss. A description of the risks is provided in the District’s audited financial statements. The audited financial statement for Fiscal Year 2015 is attached hereto as Appendix B.

Demographic Information

General

The District is located in northern Clackamas County (the “County”) in Northwest Oregon. It covers the cities of Milwaukie, Happy Valley, Johnson City, and Damascus, as well as the unincorporated neighborhoods of Oak Grove, Concord, Clackamas, Sunnyside, Mount Scott, Southgate, and Carver. The District includes rural landscape, suburban residential neighborhoods, and industrial development areas, as well as Clackamas Town Center, a large shopping area. The County is part of the Portland-Vancouver-Hillsboro Metropolitan Statistical Area (“Portland MSA”).



Historical data have been collected from generally accepted standard sources, usually from public bodies. This section includes information on Clackamas County and the Cities of Milwaukie, Happy Valley, Johnson City and Damascus.

Population

The following table shows the historical population for the State, the County and the Cities of Milwaukie, Happy Valley, Damascus, and Johnson City.

Population

July 1⁽¹⁾	State of Oregon	Clackamas County	City of Milwaukie	City of Happy Valley	City of Damascus	City of Johnson City
2016	4,076,350	404,980	20,510	18,535	10,625	565
2015	4,013,845	397,385	20,505	17,510	10,625	565
2014	3,962,710	391,525	20,485	16,480	10,625	565
2013	3,919,020	386,080	20,500	15,575	10,595	565
2012	3,883,735	381,680	20,435	14,965	10,585	565
2011	3,857,625	378,480	20,400	14,330	10,575	565
April 1⁽²⁾						
2010	3,831,074	375,992	20,291	13,903	10,539	566
2000	3,421,399	338,391	20,490	4,519	0	634
1990	2,842,321	278,850	18,670	1,519	0	586

(1) Source: Center for Population Research and Census, Portland State University.

(2) Source: U.S. Census Count on April 1.

Economic Overview

The County’s economic base includes metals fabrication, machinery, high technology firms, retail trade and distribution, and agriculture. Major employers in the County include Fred Meyer Stores, Kaiser Foundation Health Plan, Blount International Inc., Safeway Inc., Precision Castparts Corp., and Clackamas County.

Currently, transportation and utilities accounts for 22 percent of the total non-farm employment in Clackamas County, while education and health services accounts for 14.2 percent, professional and business services 12.8 percent, manufacturing 11.3 percent, and government jobs 10.9 percent.

Income. Historical personal income and per capita income levels for the County and the State are shown below:

Total Personal and Per Capita Income

Year	Clackamas County				State of Oregon			
	Personal Income (\$000 Omitted)	Dividends, Interest, Rent (\$000 Omitted)	Per Capita Income	Per Capita Dividends, Interest, Rent	Personal Income (\$000 Omitted)	Dividends, Interest, Rent (\$000 Omitted)	Per Capita Income	Per Capita Dividends, Interest, Rent
2016 ⁽¹⁾	N/A	N/A	N/A	N/A	\$ 183,801,165	\$ 34,657,804	\$ 45,057	\$ 8,496
2015	\$ 19,901,153	\$ 3,979,207	\$ 49,565	\$ 9,910	173,170,241	32,644,259	42,974	8,101
2014	18,724,587	3,856,654	47,464	9,776	163,652,836	31,399,195	41,220	7,909
2013	17,863,812	3,503,146	46,028	9,026	154,869,050	30,128,608	39,426	7,670
2012	17,811,472	3,635,865	46,458	9,483	152,371,092	30,257,383	39,083	7,761
2011	16,659,841	3,293,830	43,880	8,676	145,083,738	27,889,523	37,512	7,211

(1) As of second quarter 2016, preliminary and subject to change.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, November 17, 2016.

Employment. Non-farm employment within the County is described in the following tables:

Clackamas County Labor Force Summary ⁽¹⁾ (by place of residence)

							2016 Change from				
	2011	2012	2013	2014	2016	2016 ⁽²⁾	2011	2012	2013	2014	2015
Civilian Labor Force	205,883	199,576	196,704	200,943	204,481	216,321	10,438	16,745	19,617	15,378	11,840
Unemployment	17,915	15,752	13,526	12,396	10,651	9,922	-7,993	-5,830	-3,604	-2,474	-729
Percent of Labor Force	8.7%	7.9%	6.9%	6.2%	5.2%	4.6%	xx	xx	xx	xx	xx
Total Employment	187,968	183,824	183,178	188,547	193,830	206,399	18,431	22,575	23,221	17,852	12,569

Non-Agricultural Wage & Salary Employment ⁽³⁾

							2016 Change from				
	2011	2012	2013	2014	2015	2016 ⁽²⁾	2011	2012	2013	2014	2015
Total nonfarm employment	135,300	137,700	139,400	143,300	149,200	155,300	20,000	17,600	15,900	12,000	6,100
Total Private	118,200	121,000	123,200	127,000	132,200	138,400	20,200	17,400	15,200	11,400	6,200
Natural resources and mining	200	200	200	200	200	200	0	0	0	0	0
Construction	8,200	8,700	8,900	9,700	10,200	11,900	3,700	3,200	3,000	2,200	1,700
Manufacturing	16,100	16,500	17,000	17,200	17,300	17,500	1,400	1,000	500	300	200
Trade, transportation, and utilities	31,200	31,400	32,000	32,800	33,800	34,100	2,900	2,700	2,100	1,300	300
Information	2,100	2,000	2,000	1,700	2,100	2,000	-100	0	0	300	-100
Financial activities	8,300	8,600	8,600	8,700	9,300	9,500	1,200	900	900	800	200
Professional and business services	15,000	15,800	16,100	16,800	17,500	19,900	4,900	4,100	3,800	3,100	2,400
Educational and health services	19,200	19,000	19,400	20,100	21,000	22,100	2,900	3,100	2,700	2,000	1,100
Leisure and hospitality	12,900	13,500	13,700	14,300	15,100	15,400	2,500	1,900	1,700	1,100	300
Other services	5,000	5,400	5,400	5,600	5,700	5,800	800	400	400	200	100
Government	17,100	16,800	16,200	16,300	17,100	16,900	-200	100	700	600	-200

(1) Civilian labor force includes employed and unemployed individuals 16 years and older by place of residence. Employed includes nonfarm payroll employment, self-employed, unpaid family workers, domestics, agriculture and labor disputants. Data are adjusted for multiple job-holding and commuting.

(2) Data for month of September; preliminary and subject to change.

(3) Nonfarm payroll data are based on the 1987 Standard Industrial Classification manual. The data are by place of work. Persons working multiple jobs are counted more than once. The data excludes the self-employed, volunteers, unpaid family workers, and domestics.

Source: State of Oregon Employment Department, November 2016.

Major Employers in the County

Company	Service	Location	No. Employees
Fred Meyer Stores	Grocery/retail/warehouse	Portland-Metro	11,200
Kaiser Foundation Health Plan of the NW	Health Care	Portland-Metro	10,269
State Government	Government	County-wide	2,800
Clackamas County	Government	County-wide	2,228
North Clackamas School District	Education	County-wide	2,187
Clackamas Community College	Higher Education	County-wide	1,620
U.S. Government	Government	County-wide	1,100
Oregon City School District	Education	Oregon City	1,097
West-Linn Wilsonville School District	Education	Tualatin	1,019
Lake Oswego School District	Education	Lake Oswego	847
Providence Willamette Falls Medical Center	Health Care	Oregon City	800
Mattei Insurance Services Inc.	Finance and Insurance	Portland	715
Cash & Carry Stores LLC	Grocery/retail/warehouse	Milwaukie	650
AFA Forest Products Inc.	Forest Products	Lake Oswego	600
Canby School District	Education	Canby	600
Precision Interconnect, LLC	Electronics	Wilsonville	566
Oregon Trail School District 46	Education	Sandy	500
Apollo Sheet Metal, Inc.	Plumbing, heating, air-conditioning	Wilsonville	469
Sysco Portland, Inc.	Food Products	Wilsonville	450
Estacada School District	Education	Estacada	450
OECO, LLC	Electronic Component Manufacturing	Milwaukie	425
Biotronik, Inc.	Medical and hospital equipment	Lake Oswego	425
Willamette View, Inc.	Retirement facility	Portland	380
Precision Castparts Corp	Manufacturing	Portland	366
City of Lake Oswego	Government	Lake Oswego	357
Molalla River School District 35	Education	Molalla	350
H. G. Schlicker & Associates, Inc.	Environmental consultant	Oregon City	344
Timberline Lodge	Lodge	Government Camp	320
Blount International Inc.	Construction, agriculture machinery	Portland	317
Harvest Management Sub, LLC	Long-term care facility	Lake Oswego	300
Holiday Retreat	Long-term care facility	Lake Oswego	300
Dave's Killer Bread (Nature Bake)	Bakery	Portland	300
Sanders Wood Products, Inc.	Wood products	Molalla	300
Berger A Kiewit-Bilfinger Joint Venture	Construction - Bridge, tunnel, highway	Clackamas	300

Note: Number includes full-time, part-time and temporary employees.

Source: Portland Business Journal "The List: Largest Metro-Area Employers" published July 5, 2016; Hoover's business database, November 2016; Oregon Employment Department; data for September 2016.

Building Permits. Residential building permits are an indicator of growth within a region. The number and valuation of new single-family and multi-family residential building permits in the cities of Milwaukie and Happy Valley are listed below:

Residential Building Permits

City of Milwaukie

Year	<u>New Single Family</u>		<u>New Multi Family</u>			<u>Total</u>	
	Number	Construction Cost	Number	Units	Construction Cost	Construction Cost	
2016 ⁽¹⁾	9	\$ 2,355,461	0	0	\$ 0	\$	2,355,461
2015	11	3,344,809	0	0	0		3,344,809
2014	6	1,552,129	0	0	0		1,552,129
2013	6	1,899,314	0	0	0		1,899,314
2012	3	652,873	0	0	0		652,873

City of Happy Valley

Year	<u>New Single Family</u>		<u>New Multi Family</u>			<u>Total</u>	
	Number	Construction Cost	Number	Units	Construction Cost	Construction Cost	
2016 ⁽¹⁾	250	\$ 67,778,213	14	308	\$ 33,953,800	\$	101,732,013
2015	317	87,303,936	12	39	7,499,064		94,803,000
2014	354	105,582,713	0	0	0		105,582,713
2013	309	95,957,348	0	0	0		95,957,348
2012	200	58,902,768	0	0	0		58,902,768

(1) Permits issued as of September.

Source: U.S. Census Bureau, November 2016.

Higher Education. Clackamas Community College, located in Oregon City, is a public community college offering associate degrees and technical programs. The college provides general education courses, occupational and technical preparatory training, lower division college transfer courses, skills upgrading and employee technical training. Other institutions of higher learning in the area include independent institutions such as Reed College, Lewis and Clark College, Pacific University, and church-affiliated institutions such as the University of Portland, Warner Pacific College, and Columbia Pacific College. Portland State University, which is part of the Oregon University System of Higher Education, and the Oregon Health and Science University are also located in the Portland MSA.

Healthcare. Healthcare services are available at Kaiser Permanente Hospital in Happy Valley, Willamette Falls Hospital in Oregon City, Legacy Meridian Park Hospital, Silverton Hospital and other local clinics.

Transportation: The District can be accessed by Highways 99E and 213 as well as Interstate 205. Local bus service is provided by Tri-Met which operates seven days a week throughout the greater Portland metro area. Also, Amtrak operates a passenger train depot that has daily service both northbound and southbound.

Commercial air transportation is available at the Portland International Airport ("PDX"). PDX, operated by the Port of Portland, is served by 17 scheduled passenger air carriers and three charter services. Fourteen cargo carriers service PDX. The Port also operates three general aviation airports in Troutdale, Hillsboro and Mulino. The Hillsboro Airport, 29 miles west of the County, is the State's second busiest general aviation site and maintains the largest corporate jet fleet in the state.

The Initiative and Referendum Process

Article IV, Section 1 of the Oregon Constitution reserves to the people of the State the initiative power to amend the State Constitution or to enact legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome

requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed statewide initiative measures are submitted to the Oregon Secretary of State's office that do not qualify for the ballot, the District does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. The District also does not formally or systematically monitor efforts to qualify measures for the ballot that would initiate new provisions for, or amend, the District's charter and ordinances. Consequently, the District does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

Pursuant to ORS 250.125, a five-member Committee composed of the Secretary of State, the State Treasurer, the Director of the Department of Revenue, the Director of the Department of Administrative Services, and a local government representative must prepare an estimate of the direct financial impact of each measure ("Financial Estimate Statements") to be printed in the voters' pamphlet and on the ballot.

Referendum

"Referendum" generally means measures that have been passed by a legislative body, such as the Legislative Assembly or the governing body of a district, county or other political subdivision and referred to the electors by the legislative body, or by petition prior to the measure's effective date.

In Oregon, both houses of the Legislative Assembly must vote to refer a statute or constitutional amendment for a popular vote. Such referrals cannot be vetoed by the governor. Any change to the Oregon Constitution passed by the Legislative Assembly requires referral to voters. In the case of a referendum by petition, proponents of the referendum must obtain a specified number of signatures from qualified voters. The required number of signatures is equal to four percent of the votes cast for all candidates for governor at the preceding gubernatorial election.

There were three referendums on the November 2016 ballot, two of which were approved by voters.

Initiative Process

To place a proposed statewide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2016 general election, the requirement is eight percent (117,578 signatures) for a constitutional amendment measure and six percent (88,184 signatures) for a statutory initiative. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. Statewide initiatives may only be filed for general elections in even-numbered years.

A statewide initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

Historical Initiative Petitions. Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

Recent Initiative Petitions

Number of Year of General Election	Number of Initiatives that Qualified	Initiatives that were Approved
2008	8	0
2010	4	2
2012	7	2
2014	4	2
2016	4	3

Source: Elections Division, Oregon Secretary of State, Initiative, Referendum and Referral Log, Elections Division.

November 2016 Election.

Measure 98 (“M98”) was approved at the November 2016 election. M98, the “High School Graduation and Career and College Readiness Act,” requires the State to direct funding of approximately \$800 annually to each Oregon high school student for purposes of addressing dropout-prevention and providing career technical and college readiness programs. Funding for the program is expected to come from new revenues generated during the 2017-19 biennium, with an estimated total of \$282 million. The measure would also direct the Oregon Department of Education to track rates of college attendance and the need for remedial classes for those who attend, as well as provide other performance and financial accountability audits. The District cannot predict how much additional revenue, if any, will result from the passage of M98.

Measure 99 (“M99”) was approved at the November 2016 election. The “Outdoor School Lottery Fund Initiative (M99),” would create a fund, derived from state lottery proceeds, to support outdoor school programs across the state. M99 seeks to designate approximately \$22 million in state lottery funds for outdoor education for all fifth and sixth graders in Oregon. The fund are proposed to be financed through Oregon Lottery Economic Development Fund and administrated by Oregon State University. The District currently provides funding for outdoor school programs, the funding is a combination of general fund dollars, fees charged to students, individual school fundraising, and North Clackamas Education Foundation support. Following the success of this measure, the District may be able to utilize these resources differently. The District cannot predict what the impact may be on its program offerings.

Legal Matters and Litigation

Legal Matters

Legal matters incident to the authorization, issuance and sale of Bonds are subject to the approving legal opinion of Bond Counsel, substantially in the form attached hereto as Appendix A. Bond Counsel has reviewed this document only to confirm that the portions of it describing the Bonds and the authority to issue them conform to the Bonds and the applicable laws under which they are issued. Certain legal matters will be passed upon for Morgan Stanley & Co LLC and Wells Fargo Bank, National Association by their Counsel Orrick, Herrington and Sutcliffe LLP.

Litigation

There is no litigation pending questioning the validity of the Bonds nor the power and authority of the District to issue the Bonds. There is no litigation pending which would materially affect the finances of the District or affect the District’s ability to meet debt service requirements on the Bonds.

Under the Oregon law local public bodies, such as the District, are subject to the following limits on liability. The State of Oregon is subject to different limits.

Personal Injury and Death Claim. The liability limits of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any *single claimant* for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$500,000, for causes of action arising on or after July 1, 2009, and before July 1, 2010. From July 1, 2010 through June 30, 2017, this cap increases incrementally to \$691,200. The liability limits to *all claimants* for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increase from \$1 million, for causes of action arising on or after July 1, 2009, and before July 1, 2010, incrementally to \$1,382,300, for causes of action arising on or after July 1, 2016, and before July 1, 2017.

For causes of action arising on or after July 1, 2017, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the statutory formula. The adjustment may not exceed three percent for any year.

Property Damage or Destruction Claim. The liability limits of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2009 are: (a) \$100,000, adjusted as described below, to any single claimant, and (b) \$500,000, adjusted as described below, to all claimants.

Beginning in 2010, these liability limits have been adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the statutory formula. The adjustment may not exceed three percent for any year. The liability limits for causes of action arising on or after July 1, 2016, and before July 1, 2017, are \$113,400 for a single claimant and \$566,900 for all claimants.

Tax Matters

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2017A Bonds and 2017B Bonds (collectively, the "Tax Exempt Bonds") is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Tax Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Tax Exempt Bonds, and Bond Counsel has assumed compliance by the District with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax Exempt Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Tax Exempt Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Tax Exempt Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2017A Bonds and 2017B Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Tax Exempt Bonds in order that interest on the Tax Exempt Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Tax Exempt Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Tax Exempt Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Tax Exempt Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Tax Exempt Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Tax Exempt Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Tax Exempt Bonds.

Prospective owners of the Tax Exempt Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Tax Exempt Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Tax Exempt Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Tax Exempt Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Tax Exempt Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Tax Exempt Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Tax Exempt Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Tax Exempt Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Tax Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on Tax Exempt Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Tax Exempt Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Tax Exempt Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Tax Exempt Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Tax Exempt Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Tax Exempt Bonds under federal or state law or otherwise prevent beneficial owners of the Tax Exempt Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Tax Exempt Bonds.

Prospective purchasers of the Tax Exempt Bonds should consult their own tax advisors regarding the foregoing matters.

Continuing Disclosure

The Securities and Exchange Commission Rule 15c2-12 (the “Rule”) requires at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Bonds. Pursuant to the Rule, the District has agreed to provide audited financial information and certain financial information or

operating data at least annually, and timely notice of certain events (collectively, “Continuing Disclosure”) to the MSRB through its EMMA system (so long as such method of disclosure continues to be approved by the Securities and Exchange Commission for such purposes).

Prior Undertakings. During the previous five fiscal years, the District had agreed to provide Continuing Disclosure filings for its General Obligation Refunding Bonds, Series 2004; General Obligation Bonds, Series 2007A and Series 2007B; and General Obligation Refunding Bonds, Series 2014 (the “General Obligation Bonds”); and Limited Tax Pension Obligations, Series 2002A and Series 2002B; Limited Tax Pension Obligations, Series 2003A and Series 2003B; and Limited Tax Pension Refunding Obligations, Series 2011 (the “Pension Obligations” and with the General Obligation Bonds, the “Outstanding Debt”). The District’s undertakings for its General Obligation Bonds require its annual financial information to be filed by March 1. The District’s undertakings for the Pension Obligations require its annual financial information to be filed within 270 days of the end of the Fiscal Year (usually March 27).

Compliance with Prior Undertakings – Audited Financial Statements. The District failed to file its audited financial statements for Fiscal Years 2011, 2012 and 2014 prior to the filing deadlines for all of its Outstanding Debt and its audited financial statements for Fiscal Year 2013 on its Pension Obligations. The District subsequently filed its audited financial statements for Fiscal Year 2011 against all Outstanding Debt on November 17, 2014; its audited financial statements Fiscal Years 2012 on February 3, 2014 for the General Obligation Bonds, and November 17, 2014 for the Pension Obligations; its audited financial statements and a failure to file notice for Fiscal Year 2014 against all Outstanding Debt on May 22, 2015; and its audited financial statements for Fiscal Year 2013 against the Pension Obligations on November 17, 2014. The District filed a failure to file notice regarding all late filings from Fiscal Year 2011 to 2013 on November 17, 2014. When the District filed the notice of failure to provide annual financial information, the District opted to repost all audited financial statements for fiscal years 2011 through and including 2013 on November 17, 2014 in the required searchable PDF format. The District filed its audited financial information for Fiscal Year 2016 on time on January 23, 2017.

Compliance with Prior Undertakings – Annual Financial Information/Operating Data. In its prior undertakings, the District agreed to file certain annual financial information in addition to its audited financial statements. Certain annual financial information for Fiscal Years 2011 through and including 2014 was missing from the District’s audited financial statement filings. The missing annual financial information and the associated failure to file notice for Fiscal Years 2011 through 2013 was filed on November 17, 2014. The District’s information and associated failure to file notice for Fiscal Year 2014 was made in filings on May 22, 2015 and February 25, 2016. Some of the missing financial information is no longer available as detailed by the District in the notice.

Compliance with Prior Undertakings – Material Events. The District agreed to provide timely notice of certain material events related to each issue. The District did not provide timely notice of Moody’s and Standard and Poor’s Rating Services insurance rating changes. The District subsequently filed the missing material event notices and the associated failure to file notice for the District’s enhanced ratings on November 17, 2014. The District filed notice on November 30, 2015 that its credit rating was upgraded to A+ by Standard & Poor’s on November 19, 2015.

The District has hired a dissemination agent, Digital Assurance Certification LLC (“DAC”), to assist with making annual filings in the future. A copy of the form of the District’s Continuing Disclosure Certificate for the Bonds is attached hereto as Appendix D.

Ratings

As noted on the cover page of this Official Statement, Moody’s Investors Service and S&P Global Ratings, a Division of Standard & Poor’s Financial Services LLC, have assigned their underlying ratings of “Aa2” and “A+,” respectively, to the Bonds. Moody’s Investors Service and Standard & Poor’s have also assigned their ratings of “Aa1” and “AA+,” respectively, to the Bonds based on the District’s participation in the Oregon School Bond Guaranty program. See “Security for the Bonds – Oregon School Bond Guaranty” herein. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agencies if, in its judgment, circumstances so warrant.

Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Underwriting

The Bonds are being purchased by Piper Jaffray & Co., Morgan Stanley & Co. LLC and Wells Fargo Bank, National Association (collectively, the “Underwriters” and each an “Underwriter”).

The purchase contract relating to the Bonds (the “Purchase Contract”) provides that the Underwriters will purchase all of the Bonds, if they are purchased. The purchase price of the 2017A Bonds is \$139,783,401.94 (the principal amount of the 2017A Bonds (\$140,292,626.40) less an Underwriters’ discount of \$509,224.46).

The purchase price of the 2017B Bonds is \$212,786,397.13 (the principal amount of the 2017B Bonds (\$213,220,341.05), less an original issue premium of \$30,870,341.05 and less an Underwriters’ discount of \$433,943.92).

The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds to investment trusts) and others at prices lower than the initial public offering prices indicated on the inside cover page hereof. The Underwriters may change the public offering prices from time to time without prior notice.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the State and its affiliates in connection with such activities. In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the State (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the State. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), one of the underwriters of the Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA

pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Concluding Statement

The information contained herein should not be construed as representing all conditions affecting the District or the Bonds. Additional information may be obtained from the District. The statements relating to the Resolution are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such document in its complete form.

The information assembled herein is not to be construed as a contract with Owners of the Bonds.

Appendix A

Form of Bond Counsel Opinion

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March 2, 2017

North Clackamas School District No. 12
12400 SE Freeman Way
Milwaukie, Oregon 97222

***Re: North Clackamas School District No. 12
Clackamas County, Oregon
\$140,292,626.4 General Obligation Bonds, Series 2017A
(\$358,745,000 Maturity Amount)
(Tax-Exempt Deferred Interest Bonds)
\$182,350,000 General Obligation Bonds, Series 2017B
(Tax-Exempt Current Interest Bonds)***

Ladies and Gentlemen:

We have acted as bond counsel to North Clackamas School District No. 12 located in Clackamas County, Oregon (the "District") in connection with the authorization, sale, issuance and delivery by the District of its \$140,292,626.40 aggregate principal amount of General Obligation Bonds, Series 2017A (Tax-Exempt Deferred Interest Bonds) (\$358,745,000 Maturity Amount) (the "Series 2017A Bonds") and the District's \$182,350,000 General Obligation Bonds, Series 2017B (Tax-Exempt Current Interest Bonds) (the "Series 2017B Bonds", together with the Series 2017A Bonds, the "Bonds"), which are dated March 2, 2017. The Bonds are issued pursuant to Oregon Revised Statutes Chapter 287A and Resolution No. R16/17-39 adopted by the Board of Directors of the District on January 19, 2017 (the "Bond Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Resolution.

We have examined the applicable law, a duly certified transcript of proceedings of the District, prepared in part by us, and other documents which we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied on the representations of the District contained in the Bond Resolution and other certified proceedings and certifications of officials of the District and others furnished to us without undertaking to verify such representations and certifications by independent investigation.

On the basis of the foregoing examination, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we deem relevant under the circumstances, and subject to the limitations expressed herein, we are of the opinion, under existing law, as follows:

A. The Bonds have been legally authorized and issued under and pursuant to the Constitution and statutes of the State of Oregon, and are valid and legally binding obligations of the District enforceable against the District in accordance with their terms, subject to: (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally (whether now or hereafter in existence); (ii) the application of equitable principles and to the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting, or limiting the enforcement of rights or remedies against governmental entities such as the District.

B. The District has pledged its full faith and credit to the payment of interest on and the principal of the Bonds as the same become due and payable. The District covenants with the Bondowners to levy annually a direct ad valorem tax upon all of the taxable property within the District in an amount without limitation as to rate or amount, and outside of the limitations of Sections 11 and 11b, Article XI of the Oregon Constitution, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, to pay interest accruing and the principal maturing on the Bonds promptly when and as they become due.

C. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Bond Counsel further is of the opinion that, for any Bonds having original issue discount (a "Discount Bond"), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District and others in connection with the Bonds, and we have assumed compliance by the District with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for federal income tax purposes, interest on the Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the District will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the District covenants that it will comply with the provisions and

procedures set forth therein and that they will do and perform all acts and things required by the Code to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph C hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the District with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

D. Interest on the Bonds is exempt from State of Oregon personal income tax.

Except as stated in paragraphs C and D above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on the opinions expressed.

We have acted solely as bond counsel to the District regarding the sale and issuance of the Bonds and have not represented any other party in connection with the Bonds. Therefore, no attorney-client relationship shall arise by our addressing this opinion to persons other than the District.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of the official statement or other offering materials relating to the Bonds, and we express no opinion relating thereto. We express no opinion as to the creditworthiness of the District, the investment quality of the Bonds or the adequacy of the security for the Bonds.

Legal Opinion
March 2, 2017
Page 4

The opinions expressed herein are solely for your benefit in connection with the above referenced bond financing and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the Bonds, nor may copies be furnished to any other person or entity, without the prior written consent of Hawkins Delafield & Wood LLP.

Very truly yours,

Appendix B

Financial Statements

The District's Auditor has not performed any further review of the District's financial statements since the date of the audit contained herein. The Auditor was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of its report on the 2016 Fiscal Year.

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NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016



12700 SW 72nd Ave.
Tigard, OR 97223

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
Clackamas County, Oregon

PRINCIPAL OFFICIALS

<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
Tory McVay - Chair	June 30, 2017
Rein Vaga – Vice Chair	June 30, 2019
Lee Merrick - Director	June 30, 2019
Trisha Claxton, Director	June 30, 2019
Vivian Scott, Director	June 30, 2017
Steven Schroedl, Director	June 30, 2019

The Board of Directors receives mail at the address below:

DISTRICT ADMINISTRATION

Matt Utterback, Superintendent - Clerk
Mary Knigge, Chief Financial Officer

DISTRICT ADDRESS
12400 SE Freeman Way
Milwaukie, Oregon 97222

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12

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Mary Knigge
Chief Financial Officer

12400 SE Freeman Way
Milwaukie, Oregon 97222
503-353-1900
kniggem@nclack.k12.or.us

December 23, 2016

North Clackamas School District No.12
Board of Directors
12400 SE Freeman Way
Milwaukie, Oregon 97222

Oregon Municipal Audit Law requires that an independent audit be made of all District funds within six months following the close of the fiscal year. Pursuant to this requirement, the annual financial report of the North Clackamas School District (the District) for the fiscal year ended June 30, 2016, is hereby submitted. This report was prepared by the District's Fiscal Services Department. The responsibility for the completeness, fairness, and accuracy of the data presented and all accompanying disclosures rests with the District. To provide a reasonable basis for making these representations, the District's management has established a comprehensive internal control framework that is designed both to protect assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

REPORT CONTENTS

The Comprehensive Annual Financial Report is presented in four sections. These sections and their components are as follows:

- The **Introductory Section** includes this Letter of Transmittal.
- The **Financial Section** includes the independent auditor's report, management's discussion and analysis, basic financial statements for the entity as a whole, notes to the basic financial statements, required supplementary information and other supplementary information.
- Following the **Financial Section** is the **Independent Auditors' Report** required by Oregon State Regulations.
- The **Grant Compliance Review** contains reports required by the Single Audit Act.
- Finally, the **Other Information** contains schedules showing the future maturities of long-term debt, as well as the statistical section.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE DISTRICT

The North Clackamas School District is a kindergarten through twelfth grade district serving approximately 17,275 students. The District is a financially independent, special-purpose municipal corporation exercising financial accountability for all public education within its boundaries. As required by accounting principles generally accepted in the United States of America, all significant activities and organizations have been included in the financial statements.

The District is located in Clackamas County and is located approximately 12 miles southeast of Portland, Oregon along Interstate 205. The District covers approximately 40 square miles in Northern Clackamas County and encompasses the cities of Milwaukie, Happy Valley, Johnson City, and part of Damascus as well as unincorporated neighborhoods of Oak Grove, Concord, Clackamas, Sunnyside, Mount Scott, Southgate and Carver. It is the fifth largest school district in Oregon. The North Clackamas School District, elected by a majority of the voting electorate, is the governing body responsible for the District's public decisions. The seven-member Board has the oversight, responsibility and control over all activities related to the District.

ECONOMIC CONDITION AND OUTLOOK

The State of Oregon, trailing the developments affecting the national economy, is now in a weakened but improving economic position with slowly moderating unemployment, gradual unfreezing of business credit, improvement in the national housing market, and other encouraging economic indicators.

Clackamas County had passed through the end of the decade of steady growth in population and development as the recession of 2008-09 took hold. Clackamas Town Center, the largest shopping center in Oregon, with 1.2 million square feet of space, has 185 stores, is fully leased and in the process of expanding. Major commercial business centers are located in the Clackamas Town Center and along McLoughlin Boulevard. Industrial sites include the Clackamas Industrial area along Highway 212, with roughly 500 businesses, and the Milwaukie Industrial area along Highway 224, with 300 businesses. Community business centers are located in Milwaukie, Gladstone and Damascus. Recently completed within the district boundaries is a neo-traditional development called Sunnyside Village, which will comprise 2,000 dwellings and a shopping mall.

Manufacturing employment represents approximately 16 percent of the total wage and salary employment. Non-manufacturing employment represents approximately 84 percent of the total wage and salary employment. The unemployment rate for the area is 5.0 percent (June 2016, Bureau of Labor Statistics Data), up from 4.8 percent a year ago and similar to the national average. The major taxpayers within the North Clackamas School District include Shorenstein Properties (Real Estate), General Growth Properties Inc. (Town Center Mall), Clackamas Baking

Plant (Bakery), PCC Structurals Inc. (Manufacturing/Aerospace), Xerox Corporation (Telecommunications/Image Solutions) Blount Inc. (Chainsaws, Machinery), Mentor Graphics (Graphic Design) and Kaiser Foundation Hospital (Hospital).

A variety of transportation alternatives are available in this area. Tri-Met service is available to Portland and the metropolitan area. Transfer stations are located in downtown Milwaukie and Clackamas Town Center. Portland International Airport offers easy access to domestic and international markets with 17 scheduled passenger airlines, 14 cargo carriers, 39 cities and 12 countries serve the Portland Metropolitan area. First morning service is provided as far north as Vancouver B.C. and Los Angeles is less than two days south. The Southern Pacific Mainline runs through the Clackamas and Milwaukie Industrial areas. Two other transcontinental railroads serving Portland include Burlington Northern and Union Pacific. Amtrak provides passenger service. The Port of Portland has five Marine terminals, four dry docks and excellent ship repair facilities. Container handling and dockside rail service are readily available. An extensive rail, air, barge and highway transportation network serves the harbor. I-205 is a circumferential freeway bypassing downtown Portland. It connects with I-5 and I-84 for destinations north, south and east. The I-205 beltline serves about 100,000 vehicles daily. Highway 212 connects North Clackamas to U.S. Highway 26 and serves the Mount Hood corridor and Central Oregon. Highway 99E connects the North Clackamas area to the Willamette Valley, Salem and Eugene.

MAJOR INITIATIVES

The School Board, for the 2015-16 school year, approved the following goals:

1. **Student Achievement:** Each student will meet or exceed grade level standards and graduate.
2. **Equity:** Create inclusive learning environments for each student.
3. **Resources and Quality Programs:** Improve financial stability, leverage assets, and expand efficiencies throughout the system.

FINANCIAL INFORMATION

Management of the District is responsible for establishing and maintaining an internal control structure designed to protect the assets of the District from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

1. The cost of the control should not exceed the benefits likely to be derived, and
2. The valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal, state, and county financial assistance, the District is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs.

This internal control structure is subject to periodic evaluation by management and the internal audit staff of the District. As part of the District's single audit tests have been made to determine

the adequacy of the internal control structure, including that portion related to federal financial award programs, as well as to determine that the District has compiled with applicable laws and regulations. The results of the District's single audit for the fiscal year ended June 30, 2016, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls. In addition, the District maintains budgetary controls. The objective of such budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District's Board of Directors. Activities of the General Fund, Special Revenue Funds, Debt Service Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Capital Project Funds are included in the annual appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund. As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

The District is required by the State of Oregon to adopt an annual budget for all funds subject to the requirements of Local Budget Law as outlined in the Oregon Revised Statutes 294.305 through 294.520, inclusive. The budget for each individual fund is a plan for the financial operation to be conducted during the coming fiscal year and is adopted annually, prior to July 1, by the Board of Education. After adoption, the budget may be revised through procedures specified in State statute and Board policy.

Oregon Local Budget law requires the appointment of a Budget Committee to review and approve the budget. The Budget Committee consists of the seven members of the Board of Directors and seven members appointed by the Board. The administration proposes a budget to the Budget Committee, which the Budget Committee may revise or approve. A summary of the approved budget, together with a notice of public hearing, is published in a newspaper with general circulation in the District. A public hearing is held to receive comments concerning the approved budget. The Board of Directors adopts the budget, makes appropriations, and levies taxes after the public hearing and before the beginning of the year for which the budget has been prepared.

Fund Summary. The results of operations and other financial data for the year ended June 30, 2016, are presented by the following non-governmental individual funds. Governmental funds are discussed in more detail in the Management's Discussion and Analysis section.

The financial statements for the non-governmental funds reflect the financial activity of the Internal Service Fund (self-insurance fund) and the Fiduciary Fund (student activity funds).

Internal Service Fund

This fund accounts for costs incurred for employees' general health insurance, workers compensation, property and liability claims. Principal revenue sources are charges to other funds for service and earnings on investments. The fund balance at June 30, 2016, was \$7,985,226.

Fiduciary Fund

This fund accounts for the collection and distribution of monies for student clubs and activities at the District's schools. The amount held for student groups at June 30, 2016, was \$2,005,396.

Cash Management: Throughout the year, cash not required for current operations was invested in the State of Oregon Local Government Investment Pool, U.S. Treasury securities, demand deposits, time certificates of deposit, bankers' acceptances, and commercial paper. All investments were in accordance with the District's Fiscal Management Policies. Interest income on pooled cash and investments recorded in the General Fund is allocated to the various funds based upon their monthly interfund balances. The District conforms to the State requirement that amounts on deposit with financial institutions be collateralized with securities having a value of not less than 25 percent of amounts in excess of depository insurance coverage. Interest earnings for the past three fiscal years decreased due to low interest rates on investments.

Risk Management: The District's insurance program includes auto, property, and commercial general liability insurance coverage. The program also includes a self-insured retention of \$50,000 per occurrence for all major exposures. In addition, the District successfully maintains a self-insured Workers' Compensation program. The liability limits for this program are \$300,000 per occurrence with a \$90,000 per claim stop loss provision to further limit exposures.

Since 1989 the District has implemented a modified return-to-work program. The program concentrates on returning injured workers to modified or light duty work until they are able to return to their own positions. The program has significantly reduced time loss claims and helps get the employee back into the work environment.

Long-term Financial Planning: In January 2014, the Board of Directors readopted Policy **DBDB Fund Balance**, which directs the superintendent or designee to ensure a minimum fund balance of five (5) percent of total adopted revenues. The District's unassigned fund balance in the General Fund is \$21,358,910, well above the minimum targeted level of 5 percent.

INDEPENDENT AUDIT

As required by Oregon revised Statutes, sections 297.405 to 297.555 (known as the "Municipal Audit Law") an annual audit by independent certified public accountants has been performed. Pauly, Rogers, and Co., P.C. a firm of licensed certified public accountants, has audited the North Clackamas School District's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's basic financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report. The independent audit of the District's basic financial statements were part of the broader federally mandated "Single Audit" designed to meet the special requirements of federal grantor agencies. The standards

governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section of this report.

ACKNOWLEDGEMENTS

We wish to express our appreciation to the entire Fiscal Services staff for their efforts and contributions to this annual financial report. We would also like to thank the members of the Board of Directors for their continued support and dedication to the effective financial operation of the District.

Respectfully submitted,



Mary Knigge,
Chief Financial Officer



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

December 20, 2016

To the Board of Directors
North Clackamas School District No. 12
Clackamas County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Clackamas School District, Clackamas County, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financials which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the North Clackamas School District, Clackamas County, Oregon, at June 30, 2016 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

The schedule of funding progress, pension schedules and budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Clackamas School District's basic financial statements. The supplementary and other information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, are the responsibility of management and 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 supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financials statements, and accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2016 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 20, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.

NORTH CLACKAMAS SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) FOR THE YEAR ENDED JUNE 30, 2016

As management of the North Clackamas School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Transmittal Letter, which can be found on pages i - vi of this report.

NEW ACCOUNTING STANDARDS IMPLEMENTED

GASB 72 was implemented in fiscal year 15-16 requiring certain investments to be recorded at their "fair value". The District holds investments in the Local Government Investment Pool (LGIP) which must be reported at "fair value". However, the value of the LGIP has held close to cash value requiring no adjustment. In the future, theoretically, it would be possible for an adjustment to be required if the pool sustained a substantial gain or loss. At this time, this is not the case.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2016, by \$11,247,010 (net position).
- The District's total net position decreased \$13,233,675 for the fiscal year. A 54% percent decline in the District's financial position as compared to the prior year.
- The District has \$321,947,988 invested in capital assets, net of depreciation.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$21,358,910 or about 13.6 percent of total general fund expenditures.
- Total cost of all the District's programs was \$221,259,000 for the fiscal year, an increase of \$10,459,616 (4.7 percent) from the prior year.
- The District's total outstanding long-term debt (bonds payable, contracts payable, notes payable, accrued compensated absences, other post-employment benefits, net pension obligation, stipend) decreased by \$22,124,613 during the 2015-16 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the basic financial statements of the District. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

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

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

The Statement of Net Position: The *Statement of Net Position* focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of what the District owns (assets plus deferred outflows), what it owes (liabilities plus deferred inflows), and the net difference (net position).

Net position may be further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities: The *Statement of Activities* presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

Governmental activities: The District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

- 2) **Fund financial statements:** The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The North Clackamas School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental funds: The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

The District maintains several individual 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, Special Revenue, Trust/Agency, Debt Service, Community Services and Capital Projects Funds, all of which are considered to be major funds.

Proprietary funds: The District maintains one proprietary fund type (internal service fund). The internal service fund is an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for insurance claims and premiums. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is the same as that used for proprietary funds. The District maintains a fiduciary fund for the combined Student Activity Funds.

- 3) **Notes to the basic financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are considered to be an integral part of the financial statements.
- 4) **Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* including budget to actual presentations for major funds and a schedule of property tax transactions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$11,247,010 at June 30, 2016.

Cash and investments represent 11 percent of total assets.

Capital assets, which consist of the District's land, buildings, building improvements, construction-in-progress, vehicles, and equipment, represent about 85.1 percent of total assets.

The remaining assets consist mainly of property tax and other receivables and prepaid assets.

The District reports deferred outflows of \$39,712,838, which represent the deferred book loss that occurred as a result of the 2015 refunding of previously issued GO Bonds, as well as deferred items related to the District's pension plan. The deferred loss will be amortized over the life of the bonds and the deferred pension items are calculated as part of the PERS actuarial valuation.

The District's largest liability (84 percent) is for the repayment of general obligation and limited tax pension obligation bonds. Other liabilities, representing 16 percent of the District's total liabilities, consist almost entirely of payables on accounts, notes, and accrued salaries and benefits.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

The District reports Deferred Inflows related to pensions of \$6,855,574. Pension deferrals are reported as a result of the District adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and are representative of adjustments to estimates made in the most recent actuarial valuation for the pension plan.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Net Position (in thousands)		
	Governmental Activities		Increase (Decrease) From Previous Fiscal Year
	2016	2015	
Current and Other Assets	\$ 56,493	\$ 56,651	(158)
Net Pension Asset	0	12,450	(12,450)
Capital Assets, Net	321,948	328,375	(6,427)
Total Assets	378,441	397,466	(19,025)
Deferred outflows	39,713	35,334	4,379
Long-term Debt	357,503	348,574	8,929
Other Liabilities	42,548	42,499	49
Total Liabilities	400,051	391,073	8,978
Deferred inflows	6,855	17,247	(10,392)
Net Position			
Net Investment in Capital	62,543	51,288	11,255
Restricted	8,321	8,634	(313)
Unrestricted	(59,617)	(35,442)	(24,175)
Total net position	11,247	\$ 24,480	(13,233)

During the current fiscal year, the District's overall financial condition changed as indicated by a decrease of \$13.2 million in net position. Unrestricted net position decreased by 24.2 million. At the same time, the District's investment in capital assets, net of related debt, decreased by \$6.4 million.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

Governmental activities: The key elements of the change in the District's net position for the year ended June 30, 2016 are as follows:

	Changes in Net Position (in thousands)		Increase (Decrease)
	Governmental Activities		From Previous
	2016	2015	Fiscal Year
Revenues			
Program revenues			
Charges for services	\$ 4,211	\$ 4,398	\$ (187)
Operating grants	11,477	13,151	(1,674)
General revenues			
Property taxes	86,403	76,912	9,491
State school fund	108,841	104,259	4,582
Miscellaneous	3,130	2,826	304
Total revenue s	\$ 214,062	\$ 201,546	\$ 12,516
Expenses			
Instruction	\$ 120,335	\$ 88,537	\$ 31,798
Support services	80,169	60,239	19,930
Community services	8,935	6,980	1,955
Interest on long term debt	17,858	16,980	878
Total expenses	227,296	172,736	54,561
Change in net position	(13,234)	28,810	(42,044)
Beginning net position	24,481	(4,330)	28,811
Ending net position	\$ 11,247	\$ 24,480	\$ (13,233)

- Property tax revenues increased by \$9.491 million. Taxes were levied appropriately to collect the permanent tax rate and funds to pay general obligation bonded debt.
- State School Fund (SSF) revenues increased by \$4.55 million.
- Instruction expenses increased by \$31.8 million.
- Support services expenses increased by \$19.9 million.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2016, the District's governmental funds reported combined ending fund balances of \$30.46 million, an increase of \$3.68 million, in comparison with the prior year. This increase is related to additional State School Funding combined with moderate spending. Approximately \$21.36 million of the ending fund balance constitutes *unassigned fund balance*, which is available for spending at the government's discretion. 29 percent of fund balance, or \$9.1 million, is restricted for capital projects, grant purposes, and debt repayment, as authorized by voters and grantors.

General Fund: The General Fund is the chief operating fund of the District. As of June 30, 2016, unassigned fund balance was \$21.36 million. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 13.6 percent of total General Fund expenditures. The fund balance increased by nearly \$4 million during the current fiscal year. This increase is due to additional State School Funding combined with moderate spending.

Debt Service Fund: The Debt Service Fund has a total fund balance of \$3.06 million, all of which is restricted for the payment of debt service.

Capital Projects Fund: The Capital Projects Fund has a total fund balance of \$4.3 million. The fund balance decreased by \$1.9 million during the current fiscal year, due to construction.

Special Revenue Funds: The Special Revenue Funds account for revenues and expenditures for grants that are restricted for specific educational projects. Principal revenue sources are federal, state, and intermediate grants. Total fund balances were \$.963 million

Community Services Fund: The Community Services Fund accounts for the revenue and expense of the District's community activities (drivers' education, adult education, daycare, etc.). The fund balance at June 30, 2016, was \$.70 million.

Trust and Agency Fund: The Trust and Agency funds accounts for revenues and expenditures related to Charter Schools, an Education Foundation and Scholarship donations. The fund balance at June 30, 2016, was \$86,934.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. During the year, the District's investment in capital assets decreased by approximately \$7.8 million mainly due to depreciation. Minimal equipment purchases were made.

The changes in capital assets from the fiscal year ended June 30, 2016, are as follows:

	Governmental Capital Assets July 1, 2015	Adjustments	Additions	Deletions	Governmental Capital Assets June 30, 2016
Land and Improvements	39,993,097	--	1,974,080	--	41,967,177
Buildings and Improve.	366,917,869		2,910,171	--	369,828,040
Vehicles & Equipment	28,001,077	--	176,344	--	28,177,422
Total Capital Assets	434,912,043		5,060,596		439,972,639
Total Accumulated Depreciation	(106,536,792)		(11,487,859)		(118,024,651)
Total Net Capital Assets	<u>328,375,252</u>				<u>321,947,988</u>

Long-term debt: At the end of the current fiscal year, the District had total long-term debt outstanding of \$357.5 million, consisting of general obligation and pension obligation debt, contracts and notes payable, compensated absences, and other post-employment benefits.

In October 2002 and April 2003, the District issued \$113,978,012 of limited tax pension obligation bonds to finance its unfunded actuarially accrued liability with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the District's unfunded actuarial liability and resulted in an estimated present value savings of approximately \$29.3 million over the life of the bonds.

In March 2007, the District issued \$229.6 million in general obligation bonds, the largest school bond issuance in Oregon history. The bonds have funded a variety of projects including land purchases, the addition of four new schools, the building of two replacement schools and a variety of renovation and improvement projects.

In December of 2014, the District issued \$170,380,000 in government obligation bonds for the purpose of refunding a portion of its government obligation bonds issued in 2007.

In May of 2016, the District issued \$23,085,000 in General Obligation Refunding Bonds, Series 2016 (the "Bonds"). The Bonds were issued to refinance certain outstanding General Obligations Bonds, Series 2007A that financed capital projects, and to pay the costs of issuance associated with the bond issuance.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

State statutes limit the amount of general obligation debt a school district may issue to 7.95 percent of its total real market value. With a real market value of over \$11.28 billion the current debt margin for the District is nearly \$900 million, which is significantly in excess of the District's outstanding general obligation debt.

During the current fiscal year, shown in the following table, the Districts' total debt was decreased by \$19.6 million. The decrease was the result of continued principal payments on both General Obligation and Pension Bonds.

Outstanding Bonded Debt (in thousands)

	Increase (Decrease)		
	<u>Governmental Activities</u>		from
	<u>2016</u>	<u>2015</u>	<u>Fiscal 2015</u>
General Obligation Bonds	\$222,840	\$241,195	(18,355)
Pension Obligation Bonds	83,549	86,263	(2,714)
Unamortized Premium	<u>28,000</u>	<u>26,576</u>	<u>1,424</u>
Total Bonded Debt	<u>\$334,389</u>	<u>\$ 354,034</u>	<u>(19,645)</u>

In November 2015 Standard & Poor's Rating Services raised the District's rating for general obligation debt from "A" to "A+" and changed the outlook to stable from positive. Moody's Investors Service has assigned an underlying Aa2 rating to the District.

Additional information on the District's long-term debt can be found in Note 11 in the Notes to Basic Financial statements section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the District is the State of Oregon's State School Fund. For the year ended June 30, 2016, the State School Fund – General Support provided over 60 percent of the District's General Fund program resources. State provided funding for K-12 education for the 2017-19 biennium is unknown at this time. However, the Governor's proposed budget includes 8.015B for K-12 education including an amount to fund Career & Technical Education as passed by the voters. PERS costs continue to increase and will add a significant strain on the 2017-18 District budget.

As the state and national economy rebound the District's enrollment will rebound and begin to grow. The State formula is structured to give districts with declining enrollment a year of grace—they are funded at the highest of the past or current years weighted enrollment. Enrollment has been relatively flat the past few years. The District is projected to see moderate increases due to the recovering economy.

The District has completed a strategic planning process that will more closely link budgeting efforts to action plan goals. This will be extremely important as the District tries to optimize limited resources.

**NORTH CLACKAMAS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2016**

The District's Budget Committee and School Board will consider all of these factors when preparing the District budget for the 2017-18 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer at 12400 SE Freeman Way, Milwaukie, OR 97222.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

STATEMENT OF NET POSITION

June 30, 2016

ASSETS	
Cash and cash equivalents	\$ 41,555,981
Property taxes and other receivables	14,936,616
Capital assets, net of depreciation	<u>321,947,988</u>
Total Assets	<u>378,440,585</u>
DEFERRED OUTFLOWS:	
Deferred loss on bond refunding	34,795,507
Pension Deferrals	<u>4,917,331</u>
Total Deferred Outflows	<u>39,712,838</u>
LIABILITIES:	
Accounts payable	1,156,568
Accrued payroll, taxes, and employee withholdings	6,836,156
Estimated claims liability	4,724,433
Interest payable	1,489,995
Unearned Revenue	340,615
Premium	27,999,897
Noncurrent liabilities	
Due within one year:	
PERS GO Bonds, current portion	2,735,549
GO Bonds, current portion	19,430,000
Contracts Payable, current portion	15,488
Notes Payable, current portion	3,692,834
Accrued Compensated Absences	549,412
Due in more than one year:	
Proportionate Share of Net Pension Liability	31,054,190
PERS GO Bonds	80,813,791
GO Bonds	203,409,999
Contracts Payable	46,462
Notes Payable	4,810,132
Other Post Retirement Benefits, Implicit Rate Subsidy	9,900,975
Net Pension Obligation, Stipend Benefit	<u>1,044,343</u>
Total Liabilities	<u>400,050,839</u>
DEFERRED INFLOWS:	
Pension Deferrals	<u>6,855,574</u>
NET POSITION:	
Net Investment in Capital Assets	62,543,176
Restricted for:	
Future Capital Projects	4,299,161
Special Grants and Services	963,242
Debt Services	3,058,334
Unrestricted	<u>(59,616,903)</u>
Total Net Position	<u>\$ 11,247,010</u>

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

FUNCTIONS	EXPENSES	FUNCTION REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 120,334,860	\$ 41,770	\$ 5,004,032	\$ (115,289,058)
Support Services	80,168,806	416,146	2,599,750	(77,152,910)
Community Services	8,934,749	3,753,467	3,873,075	(1,308,207)
Interest on Long-Term Debt	17,857,584	-	-	(17,857,584)
Total Governmental Activities	<u>\$ 227,295,999</u>	<u>\$ 4,211,383</u>	<u>\$ 11,476,857</u>	<u>(211,607,759)</u>
General Revenues				
Taxes:				
Property Taxes				86,403,267
State and Local Revenue				108,840,908
Grants and Contributions Not Restricted to Specific Programs				97,719
Interest and Investment Earnings				447,228
Miscellaneous				<u>2,584,962</u>
Total General Revenues				<u>198,374,084</u>
Changes in Net Position				(13,233,675)
Net Position - Beginning				<u>24,480,685</u>
Net Position - Ending				<u>\$ 11,247,010</u>

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

FUND FINANCIAL STATEMENTS

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE FUND
ASSETS:			
Cash and cash equivalents	\$ 10,177,672	\$ 2,064,905	\$ 18,883,541
Property taxes and other receivables	6,027,808	103,069	1,715,563
Due from other funds	15,830,309	2,493,491	-
Total Assets	<u>\$ 32,035,789</u>	<u>\$ 4,661,465</u>	<u>\$ 20,599,104</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 520,244	\$ 360,230	\$ -
Accrued payroll, taxes, and employee withholdings	6,758,904	2,074	-
Due to other funds	-	-	15,924,580
Unearned Revenue	28,875	-	-
Total Liabilities	<u>7,308,023</u>	<u>362,304</u>	<u>15,924,580</u>
Deferred Inflows:			
Unavailable Revenue - Property Taxes	<u>3,368,856</u>	<u>-</u>	<u>1,616,190</u>
Total Liabilities	<u>3,368,856</u>	<u>-</u>	<u>1,616,190</u>
Fund Balances (Deficit):			
Restricted for -			
Future Capital Projects	-	4,299,161	-
Special Grants and Services	-	-	-
Debt Service	-	-	3,058,334
Committed for -			
Community Projects and Classes	-	-	-
Unassigned	21,358,910	-	-
Total Fund Balances (Deficit)	<u>21,358,910</u>	<u>4,299,161</u>	<u>3,058,334</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 32,035,789</u>	<u>\$ 4,661,465</u>	<u>\$ 20,599,104</u>

SPECIAL REVENUE FUNDS	OTHER FUNDS	COMMUNITY SERVICE FUND	TOTALS
\$ 2,000	\$ 197,091	\$ -	\$ 31,325,209
6,470,439	185,762	-	14,502,641
-	-	717,662	19,041,462
<u>\$ 6,472,439</u>	<u>\$ 382,853</u>	<u>\$ 717,662</u>	<u>\$ 64,869,312</u>
\$ 272,986	\$ -	\$ 216	\$ 1,153,676
55,531	173	19,474	6,836,156
4,868,940	295,746	-	21,089,266
311,740	-	-	340,615
<u>5,509,197</u>	<u>295,919</u>	<u>19,690</u>	<u>29,419,713</u>
-	-	-	4,985,046
-	-	-	4,985,046
-	-	-	4,299,161
963,242	-	-	963,242
-	-	-	3,058,334
-	-	697,972	697,972
-	86,934	-	21,445,844
<u>963,242</u>	<u>86,934</u>	<u>697,972</u>	<u>30,464,553</u>
<u>\$ 6,472,439</u>	<u>\$ 382,853</u>	<u>\$ 717,662</u>	<u>\$ 64,869,312</u>

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	GENERAL FUND	CAPITAL PROJECTS	DEBT SERVICE FUND
REVENUES:			
Taxes	\$ 57,376,004	\$ -	\$ 28,697,308
Federal grants	97,719	-	-
State and local sources	100,572,103	-	115,668
Earnings from investments	270,574	13,878	104,503
Services Provided Other Funds	2,034,414	-	9,687,052
Construction Excise Tax	-	1,608,377	-
Miscellaneous	416,343	59,737	-
Total Revenues	160,767,157	1,681,992	38,604,531
EXPENDITURES:			
Current:			
Instruction	90,702,478	-	-
Support Services	61,774,474	1,218,533	-
Community Services	20,909	-	-
Facilities Acquisition	-	273,523	-
Capital Outlay	95,610	4,967,545	-
Debt Service	-	-	38,969,339
Total Expenditures	152,593,471	6,459,601	38,969,339
Revenues over (under) expenditures	8,173,686	(4,777,609)	(364,808)
Other Financing Sources, (Uses):			
Loan Receipts	-	-	-
Refunding Bond Proceeds	-	-	26,914,637
Sale of capital assets	-	-	-
Payment to refunded bond escrow agent	-	-	(27,169,921)
Refunded Bond Issue Costs	-	-	(209,421)
Transfers in	367,000	3,084,949	2,500,820
Transfers out	(4,605,556)	(210,000)	-
Total other financing sources (uses)	(4,238,556)	2,874,949	2,036,115
Net Change in Fund Balance	3,935,130	(1,902,660)	1,671,307
Fund balance (Deficit), July 1, 2015	17,423,780	6,201,821	1,387,027
Fund balance (Deficit), June 30, 2016	\$ 21,358,910	\$ 4,299,161	\$ 3,058,334

SPECIAL REVENUE FUNDS	OTHER FUNDS	COMMUNITY SERVICE FUND	TOTALS
\$ -	\$ -	\$ -	\$ 86,073,312
10,314,017	-	-	10,411,736
4,655,644	7,403,172	1,575,256	114,321,843
-	1,315	-	390,270
-	-	-	11,721,466
-	-	-	1,608,377
-	-	-	476,080
14,969,661	7,404,487	1,575,256	225,003,084
4,337,878	6,352,518	-	101,392,874
3,527,450	969,250	2,482	67,492,189
6,366,004	6,000	1,557,935	7,950,848
3,860	-	-	277,383
113,212	-	-	5,176,367
-	-	-	38,969,339
14,348,404	7,327,768	1,560,417	221,259,000
621,257	76,719	14,839	3,744,084
900,000	-	-	900,000
-	-	-	26,914,637
8,900	-	-	8,900
-	-	-	(27,169,921)
-	-	-	(209,421)
1,339,832	-	-	7,292,601
(2,952,045)	-	(25,000)	(7,792,601)
(703,313)	-	(25,000)	(55,805)
(82,056)	76,719	(10,161)	3,688,279
1,045,298	10,215	708,133	26,776,274
\$ 963,242	\$ 86,934	\$ 697,972	\$ 30,464,553

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds	\$	30,464,553	
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 Position includes those capital assets among the assets of the District as a whole.			
Net Capital Assets		321,947,988	
The unamortized portion of the loss on refunding of GO Bonds is reported as a deferred outflow on the Statement of Net Position. Because of its relationship with long term debt transactions, it is not recognized on the governmental funds' balance sheet.			
		34,795,507	
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 Position.			
Long term Liabilities			
Net Pension Liability	\$	(31,054,190)	
OPEB, Implicit Rate Subsidy		(9,900,975)	
OPEB, Stipend Benefit		(1,044,343)	
Capital lease obligations payable		(61,950)	
Notes payable		(8,502,966)	
Interest Payable		(1,489,995)	
Accrued Compensated Absences		(549,412)	
General obligation bonds payable		(306,389,339)	
Unamortized Premium on General Obligation Bonds		(27,999,897)	
		(386,993,067)	
The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.			
		7,985,226	
Deferred Outflows and Inflows related to pensions are recorded on the Statement of Net Position to account for the effect of contributions and other variables that impact the District's total net pension obligation since the date of the actuarial valuation. Net Pension deferrals are not recognized in the governmental funds.			
Deferred Outflows, Pensions		4,917,331	
Deferred Inflows, Pensions		(6,855,574)	
		(1,938,243)	
Deferred revenue related to property taxes		4,985,046	
Net Position	\$	<u>11,247,010</u>	

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2016

Total Net Changes in Fund Balances - Governmental Funds	\$	3,688,279	
Repayment of bond principal, capital leases and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Proceeds from the issuance of long-term debt are recorded as revenue in the governmental funds, but are liabilities on the Statement of Net Position.			
		\$	20,919,891
		(900,000)	
		(26,914,637)	
		27,169,921	
		187,753	
		116,969	20,579,897
Bond Issue Premiums are amortized over the life of the bond in the government-wide statements			
			1,661,018
The Deferred Loss on bond refunding is amortized over the life of the replacement bonds. Amortization is not recorded in the funds			
			(2,078,474)
Capital Outlays are reported in governmental funds as 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.			
		\$	5,060,595
		(11,487,859)	(6,427,264)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.			
			191,864
The revenues and expenses of the internal service funds are included in governmental activities in the statement of activities.			
			(2,983,492)
The Statement of Activities reports the income effect of the change in the District's Net Pension Obligations			
			(28,195,458)
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.			
			329,955
Change in Net Position of Governmental Activities	\$	<u>(13,233,675)</u>	

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON
STATEMENT OF PROPRIETARY NET POSITION
INTERNAL SERVICE FUND
June 30, 2016

	HEALTH SELF INSURANCE FUND
ASSETS:	
Current assets	
Cash and Investments	\$ 10,230,772
Accounts Receivable	434,143
Interfund Receivable	<u>2,047,636</u>
Total current assets	<u>12,712,551</u>
Total assets	<u><u>\$ 12,712,551</u></u>
LIABILITIES AND NET POSITION:	
LIABILITIES:	
Current Liabilities	
Estimated Claims Liability	\$ 4,724,433
Accounts Payable	2,892
Accrued payroll, taxes, and employee withholdings	<u>-</u>
Total Current Liabilities	<u>4,727,325</u>
Total Liabilities	<u>4,727,325</u>
NET POSITION	
Unrestricted	<u>7,985,226</u>
Total Net Position	<u>7,985,226</u>
Total Liabilities and Net Position	<u><u>\$ 12,712,551</u></u>

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN PROPRIETARY NET POSITION
INTERNAL SERVICE FUND
For the Year Ended June 30, 2016

	HEALTH SELF INSURANCE FUND
OPERATING REVENUES:	
Services Provided to Other Funds	\$ 27,917,484
Earnings from Investments	56,958
Miscellaneous	<u>491,606</u>
Total Operating Revenues	<u>28,466,048</u>
OPERATING EXPENSES:	
Purchased Services	<u>31,949,540</u>
Total Operating Expenses	<u>31,949,540</u>
Income From Operations	(3,483,492)
OTHER FINANCING SOURCES, (USES)	
Transfers In	<u>500,000</u>
Total Transfers	<u>500,000</u>
Change in Net Position	(2,983,492)
Net Position, July 1, 2015	<u>10,968,718</u>
Net Position, June 30, 2016	<u><u>\$ 7,985,226</u></u>

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
For the Year Ended June 30, 2016

	HEALTH SELF INSURANCE FUND
Cash Flows From Operating Activities:	
Cash Received from Customers	\$ 28,152,151
Earnings from Investments	56,958
Cash Paid to Employees and Suppliers	(31,897,336)
Net cash provided (used) by operating activities	<u>(3,688,227)</u>
Cash Flows From Non-Capital Financing Activities:	
Transfers	500,000
Net increase (decrease) in cash and investments	(3,188,227)
Cash and investments, beginning of year	<u>13,418,999</u>
Cash and investments, end of year	<u>\$ 10,230,772</u>
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities	
Operating Income	\$ (3,483,492)
(Increase) Decrease in Receivables	(256,939)
Increase (Decrease) in Payables	96,357
Increase (Decrease) in Accrued Payroll	<u>(44,153)</u>
Net Cash Provided by Operating Activities	<u>\$ (3,688,227)</u>

The accompanying notes are an integral part of this statement.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2016

	AGENCY FUNDS STUDENT ACTIVITY FUNDS
ASSETS:	
Cash and cash equivalents	\$ 2,005,396
Total Assets	<u>2,005,396</u>
LIABILITIES:	
Due to Student Organizations	<u>2,005,396</u>
Total Liabilities	<u>\$ 2,005,396</u>

The accompanying notes are an integral part of this statement.

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

North Clackamas School District No. 12 (the District) is a municipal corporation governed by an elected Board of Directors. Administration officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent-Clerk. As required by generally accepted accounting principles, all activities of the District have been included in these basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units or included in these basic financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Position and Statements of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest of general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfold activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

GOVERNMENTAL FUND TYPES

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property tax revenue and proceeds from sale of property are not considered available and, therefore, are not recognized until received. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, interfund transactions, and certain compensated absences and claims and judgments which are recognized as expenditures because they will be liquidated with expendable financial resources.

Revenues susceptible to accrual are interest, state, county and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

INTERNAL SERVICE FUND

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected to follow subsequent private-sector guidance.

Proprietary funds (internal service fund) distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are internal charges. Operating expenses for internal service funds include the cost of sales and services, and administrative expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major governmental funds:

GENERAL FUND

This fund accounts for the financial operations of the District not accounted for in any other fund. Principal sources of revenue are property taxes and distributions for the State of Oregon. Expenditures in the fund are made for instructional purposes and related support services.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL PROJECTS FUND

These funds account for activities related to the acquisition, construction, equipping and furnishing of new schools and other facilities. Principal revenue sources are proceeds received from general obligation bond issues and the related interest earned on proceeds not yet expended.

COMMUNITY SERVICES FUND

These funds account for activities related to community service activities. Principal revenue sources are charges for services.

DEBT SERVICE FUND

This fund accounts for the payment of principal and interest on general obligation bonded debt. Principal revenue sources are property taxes and investment earnings.

SPECIAL REVENUE FUND

This fund accounts for the grants received from federal and state sources.

OTHER FUNDS

The activities of multiple different fund types are combined in the other funds. The individual items being combined are the funds for Scholarships, Clackamas Charter Alliance, Milwaukie Academy of the Arts, and Sojourner Education Foundation.

Additionally, the government reports the following fund types:

INTERNAL SERVICE FUND

This fund accounts for costs incurred for employees' general health insurance. The principal revenue source is charges to other funds for service.

FIDUCIARY FUND TYPE

The District's agency fund is custodial in nature and does not present results of operations or have a measurement focus. These funds account for student body funds at various District Schools.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

For financial reporting purposes, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FAIR VALUE INPUTS, METHODOLOGIES AND HIERARCHY

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

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

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

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

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

PROPERTY TAXES

Uncollected real and personal property taxes are reflected on the statement of net position and the balance sheet as receivables. Uncollected taxes are deemed to be substantially collectible or recoverable through liens, therefore no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District. Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

GRANTS

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the balance sheet and statement of net position.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORIES

Inventories of supplies are valued at cost, first-in, first-out (FIFO) method. Donated commodities are valued at their fair market value when donated. Inventories are charged as expenditures when purchased or donated.

CAPITAL ASSETS

Capital assets, which includes land, buildings, equipment and construction in progress, are reported in the government wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost. Donated Capital assets are recorded at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

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

RETIREMENT PLANS

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

SELF-INSURANCE

The District is self-insured for losses and claims up to policy deductible limits ranging from \$5,000 to \$50,000 for property, comprehensive general and automobile liability, Board of Directors' liability, boiler and machinery, and fidelity bond coverage's. Additionally, the District is self-insured for workers' compensation.

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 government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued in the government wide statements. A liability is accrued in the governmental funds when the amount matures.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

NET POSITION

Net position is comprised of the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

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

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

FUND BALANCE

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. No portion of the District's fund balance is considered nonspendable.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE (CONTINUED)

- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. This authority has been given to the Superintendent and Chief Financial Officer.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

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

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum fund balance policy. The District will target a minimum fund balance equal to no less than five (5) percent of the General Fund expenditures and other financing uses as a reserve for economic uncertainties.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

A budget is prepared and legally adopted for each fund, except the Student Activities and the Deferred Compensation Agency Funds, in accordance with Oregon Local Budget Law. These budgets are all prepared using the modified accrual basis of accounting.

The District begins its budgeting process by appointing Budget Committee members in early fall. Budget recommendations are developed by management through spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June, and the hearing is held in June. The budget is adopted, appropriations are made and the tax levy is declared no later than June 30. Expenditure budgets are appropriated at the major function level (instruction, support services, community services, debt service, contingency, and transfers) for each fund.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Expenditure appropriations may not legally be over expended, except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10% of the 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). Such transfers require approval by the Board.

During the year ended June 30, 2016, there were three appropriation transfer resolutions. Budget amounts shown in the basic financial statements include the original budget amounts and appropriation transfers approved by the Board. Appropriations lapse at the end of each fiscal year.

For the year ended June 30, 2016, actual expenditures were within appropriations, except for Facilities Acquisition in the Capital Projects Fund which was overspent by \$110,476.

3. BUDGET/GAAP REPORTING DIFFERENCES

While the District reports financial position, results of operations, and changes in fund balance/net position on the basis of accounting principles generally accepted in the United States of America (GAAP), the District's budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The primary difference between the District's budgetary basis and GAAP basis is the classification of capital outlay which for budgetary purposes is reported within the functional categories at the level of appropriation control. On a GAAP basis capital outlay is separately reported after current expenditures.

4. CASH AND INVESTMENTS

The District maintains a cash pool that is available for use by all funds except the agency funds. Each fund type's portion of this pool is reported on the combined balance sheet as Cash and Investments or amounts of Interfund Payables. In addition, cash is separately held by some of the District's funds.

Cash and Investments at June 30, 2016 (recorded at fair value) consisted of:

Deposits with Financial Institutions:

Petty Cash	\$ 85,304	Governmental	\$ 31,325,209
Demand Deposits	2,742,055	Internal Services	10,230,772
Investments	40,734,018	Fiduciary Funds	2,005,396
	<u>\$ 43,561,377</u>		<u>\$ 43,561,377</u>

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

No more than the stated percentage of the overall portfolio will be invested in each of the following categories of securities:

U.S. Treasury Obligations	100%
Local Government Investment Pool	100% (or pool limit)
Fully insured Certificates of Deposit (CD)	100%
Bankers' Acceptances (BA's)	50%
Certificates of Deposit (CD)	25%
Repurchase Transactions	10%
U.S. Government agency securities and instrumentalities of government sponsored corporations	100%

There were no known violations of legal or contractual provisions for investments.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2016. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

As of June 30, 2016, the District had the following investments and maturities.

Investment Type	6/30/16 Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
LGIP	\$ 40,734,018	\$ 40,734,018	\$ -	\$ -
TOTAL	\$ 40,734,018	\$ 40,734,018	\$ -	\$ -

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Neither the Oregon Revised Statutes nor the District's investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies.

The District is to maintain a listing of financial institutions approved for investment purposes. At minimum, the district is to conduct an annual evaluation of each bank's creditworthiness, in order to determine whether it should remain on the list of those qualified.

Oregon Revised Statutes require bankers' acceptances to be guaranteed by and carried on the books of, a qualified financial institution, eligible for discount by Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

Concentration of Credit Risk

Custodial credit risk – deposits. At year-end, the District's net carrying amount of deposits was \$735,624 and the bank balance was \$1,410,216. Of these deposits, \$250,000 was covered by federal depository insurance, the remainder is collateralized the Oregon Public Funds Collateralization Program (PFCP).

To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the District's investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2016 the District was in compliance with all percentage restrictions.

Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized.

5. GRANTS RECEIVABLE

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs.

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2016 are as follows:

	Capital Assets July 1, 2015	Additions	Deletions	Capital Assets June 30, 2016
Capital Assets:				
Non Depreciable:				
Land	\$ 39,993,097	\$ 1,974,080	\$ -	\$ 41,967,177
Total Non Depreciable	39,993,097	1,974,080	-	41,967,177
Depreciable:				
Buildings and Improvements	366,917,869	2,910,171	-	369,828,040
Vehicles and Equipment	28,001,078	176,344	-	28,177,422
Total Depreciable	394,918,947	3,086,515	-	398,005,462
Total Capital Assets	434,912,044	5,060,595	-	439,972,639
Accumulated Depreciation:				
Buildings and Improvements	(87,136,426)	(9,435,976)	-	(96,572,402)
Vehicles and Equipment	(19,400,366)	(2,051,883)	-	(21,452,249)
Total Accumulated Depreciation	(106,536,792)	\$ (11,487,859)	\$ -	(118,024,651)
Total Net Capital Assets	\$ 328,375,252			\$ 321,947,988

Depreciation was allocated to the functions as follows:

Instruction	\$ 6,594,670
Support Services	4,376,060
Community Services	517,129
Total	\$ 11,487,859

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN

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

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

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

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
 - i. **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
 - ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
 - member was employed by PERS employer at the time of death,
 - member died within 120 days after termination of PERS covered employment,
 - member died as a result of injury sustained while employed in a PERS-covered job, or
 - member was on an official leave of absence from a PERS-covered job at the time of death.
 - iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
 - iv. **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2016 were \$2,813,974, excluding amounts to fund employer specific liabilities.

Pension Asset or Liability - At June 30, 2016, the District reported a net pension liability of \$31,054,190 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2013, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2013, the District's proportion was .54 percent.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 1,674,599	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	6,509,662
Changes in proportion and differences between District contributions and proportionate share of contributions	428,758	345,912
District contributions subsequent to measuring date	2,813,974	-
	<u>\$ 4,917,331</u>	<u>\$ 6,855,574</u>
Deferred outflow (inflow) of resources	<u>\$ 4,917,331</u>	<u>\$ 6,855,574</u>

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

Year Ending June 30,	Amount
2017	\$ (2,684,907)
2018	(2,684,907)
2019	(2,684,907)
2020	3,181,716
2021	120,788
Total	<u>\$ (4,752,217)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx.

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

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

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions:

Valuation date	December 31, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, Published September 2015
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service. For COLA, a blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2014 Experience Study which is reviewed for the four-year period ending December 31, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	(6.75%)	(7.75%)	(8.75%)
District's proportionate share of the net pension liability	\$ 74,948,133	\$ 31,054,190	\$ (5,936,872)

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in Moro v. State of Oregon, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2016 and will be included in the next update.

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

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

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

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. The District is self-insured for \$50,000 for each comprehensive general liability or automobile claim. The operations of the self-insurance program are reported in an Internal Service Fund, the General Self-Insurance Fund. Expenses are for reported and expected claims, administrative operating costs and the premium for its property insurance policies.

The District established a Self-Insurance Fund to account for and finance its uninsured risks of loss related to injuries of employees. Under this program, the Fund provides coverage up to a maximum of \$300,000 for each workers' compensation claim.

The District established the Health Self-Insurance Fund during the 1999-2000 fiscal year. The Health Self-Insurance Fund is used to pay employee medical bills, stop loss insurance payment, and administrative fees. The District purchases commercial insurance for claims in excess of coverage provided by the above internal service funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The General Fund makes payments to the above internal service funds based on estimates of the amounts needed to pay prior and current year claims and to establish assets available to pay claim losses. The claim liability of \$4,724,433 reported in the funds at June 30, 2016 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amounts of the loss can be reasonably estimated. Liabilities include an amount 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 provides currently for estimated losses to be incurred from pending claims and for incurred but not reported claims.

Change in the funds' claims liability amounts for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Estimated claims liability, July 1	\$ 4,628,692	\$ 4,904,848
Current year claims and changes in estimates	31,949,540	27,924,691
Claims payments	<u>(31,853,799)</u>	<u>(28,200,847)</u>
Estimated claims Liability, June 30	<u>\$ 4,724,433</u>	<u>\$ 4,628,692</u>

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. DEFERRED COMPENSATION

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

After June 30, 2007, any Administrator who was employed by the district as an administrator on June 30, 2005 will be eligible for a retirement pension as defined: Any administrator qualifying for the retirement benefit who retires after July 1, 2007, will be eligible for a supplemental retirement benefit equal to 60% of the administrator's salary at the time of retirement or \$60,000, whichever is less. The administrator's salary for purposes of this agreement shall include the 6% payment which the District currently makes to the PERS on the Administrator's behalf. An administrator initially employed as an administrator between July 1, 2002, and June 30, 2005, and who had at least 15 years of employment in the North Clackamas School District prior to that retirement will be eligible for supplemental retirement benefits. The administrator may elect to take the supplemental retirement benefit in cash payments or in payment of District insurance coverage.

If the administrator opts to take the retirement benefit in cash payments, the payments will be made in five equal annual installments made by September 1 of each of the five calendar years following retirement into the PERS system. If the administrator opts to apply the supplemental retirement benefit to insurance payments, those payments will continue until the sum of the benefit is exhausted. In the case of the death of the employee before the supplemental retirement benefit is fully paid, any moneys remaining will be paid to the estate in a single, lump-sum payment.

10. OTHER POST EMPLOYMENT BENEFITS

Plan Description – The substantive plan is comprised of both explicit and implicit benefits to employees attaining early retirement eligibility. Employees are generally "early retirement eligible" after attaining age 55 and completing 10 years of District Service or upon retiring from the District after completing 30 years of PERS covered employment. Licensed and Administrative employees are provided with an "allowance" that may be drawn down as a stipend or may be applied to pay for continued coverage under one or more of the District's benefit plans (i.e. the medical plan, the dental plan, the vision plan, and the life insurance plan). These benefits fall within the scope of GASB 27 and are collectively referred to as "Stipend" benefits.

Confidential employees are provided an allowance to pay for continued coverage under one or more of the District's benefit plans. Because this benefit is contingent on the retiree's continued coverage under the District's health plan the benefit is within the scope of GASB 45 and are referred to as "Explicit Medical" benefits.

This plan allows eligible retirees and their dependents to purchase continuation coverage under the District's health insurance plans from the date of retirement until eligibility for Medicare as required under ORS 234.303. Coverage of these retirees, as well as those paying for coverage with their stipend, can result in an "implicit subsidy" (the difference between expected early retiree claim costs and the premium paid by the retiree) requiring cost and liability recognition under GASB 45.

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Confidential employees who are eligible for the "Explicit Medical" benefit are provided with an amount equal to the lesser of 60% of their final salary or \$30,000 that is applied to pay for continued coverage under one or more of the District's health plans (i.e. medical plan, dental plan, and vision plan). Benefits for employees who work less than full time are pro-rated. Any remaining amount to be paid at age 65 is forfeited. If the retiree dies before the account balance is paid, any remaining amount is paid as a lump sum to the retiree's beneficiary.

In regard to the "Implicit Subsidy", an employee must be enrolled in a North Clackamas School District health plan for 24 consecutive months immediately prior to retirement and eligible for retirement under PERS, or the surviving spouse of an employee who would have been eligible. The younger spouse of a retiree who is Medicare-eligible is also eligible for implicit medical benefits through the District until the spouse is Medicare-eligible. The retiree receives health insurance coverage for themselves and their dependents on a self-pay basis. Coverage for the retiree ends the first day of the month that the retiree is eligible for Medicare. Coverage for the retiree's spouse ends the first day of the first month that the spouse is eligible for Medicare. Unmarried children are covered until such time as they are no longer eligible.

Stipend benefits for licensed and administrative employees are described on the next page.

Funding Policy – The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the District to fund these benefits in advance.

Annual Pension Cost and Net Pension Obligation - The District's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameter 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) over a period not to exceed thirty years. The following table shows the components of the OPEB obligation at the end of the year:

	2016	2015	2014
Annual Required Contribution	\$ 463,616	\$ 474,167	\$ 1,585,417
Interest on OPEB Obligation	301,082	304,693	285,409
Adjustment to ARC	(512,033)	(518,173)	(471,241)
Annual OPEB Cost	252,665	260,687	1,399,585
Contributions	(387,768)	(381,031)	(756,800)
Increase (Decrease) in Net OPEB Obligation	(135,103)	(120,344)	642,785
Net OPEB Obligation - beginning of year	10,036,078	10,156,422	9,513,637
Net OPEB Obligation - end of year	\$ 9,900,975	\$ 10,036,078	\$ 10,156,422

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions – The actuarially accrued liability and normal cost for the current year was determined as part of the June 30, 2016 actuarial valuation using the entry age normal cost method. Under this method, the actuarial present value of the projected benefits of each active employee is allocated on a level percentage op pay basis over the service of the active employee between assumed entry age and assumed exit age. The portion of this actuarial present value allocated to the valuation year is called the normal cost for the employee. The sum of these individual normal costs is the normal cost for the year. The unfunded accrued liability is amortized over an open period of 30 years as a percentage of payroll. The actuarial assumptions included (a) an investment return assumption (interest discount) of 3.0%; (b) initial annual increases for medical premiums are between 8% and 9% depending on the provider. Annual increases decrease by 0.5% each year until reaching 5%. Increases remain stable thereafter. Increases in dental premiums are initially 4%. Annual increases decrease by 0.5% each year until reaching 3% annually; (c) at each age from 50 through 64, a percentage of the otherwise eligible employees are assumed to retire. The percentages range from 0% to 50% at most ages. The actuarial assumptions are set by the District, based upon recommendations made by the Plan's actuary. With the exception of the investment return, medical trend assumptions, and retirement rates for employees eligible for early retirement OPEB or stipend benefits, all of the other actuarial assumptions are intended to match those selected by the Oregon PERS actuary and used to value benefits for school district employees under Oregon PERS.

Funding Status and Funding Progress – As of June 30, 2015, the plan was 0% funded. The actuarial accrued liability for benefits was \$5,288,603 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,288,603. The covered payroll (annual payroll of active employees covered by the plan) was \$76,160,245, and the ratio of the UAAL to the covered payroll was 6.94%.

Net Pension Obligation – The District offers stipend benefits to all retired licensed employees and administrators with at least 10 years of District Service (15 years for Administrators hired after June 30, 2002), and who are at least 55 years of age or have 30 years of PERS service. Administrators must have been hired before July 1, 2006.

Stipend Benefits for Licensed Employees - Eligible licensed employees may receive a \$30,000 benefit at retirement (benefit is pro-rated for employees who work less than full time) that may be paid in one of the following forms:

Option 1: Retiree may use \$30,000 to pay for continued coverage under one or more of the District's health plans (i.e. the medical plan, the dental plan, the vision plan, and the life insurance plan) on a pre-tax basis. Any remaining amount in the retiree's account balance at age 65 is paid as a lump sum. If the retiree dies before the account balance is paid, any remaining amount is paid as a lump sum to the retiree's beneficiary.

Option 2: Retiree may receive \$30,000 as a stipend payable over 4 years in equal installments. This benefit continues until the account balance is exhausted. If the retiree dies before the account balance is paid, any remaining amount is paid as a lump sum to the retiree's beneficiary.

Stipend Benefits for Administrators – Administrators receive the lesser of 60% of salary at retirement of \$60,000 (benefit is pro-rated for employees who work less than full time) as a retirement benefit that may be paid in one of the following forms:

Option 1: Same as Licensed Employee

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

10. OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Option 2: Retiree may receive retirement benefit as a stipend payable over 5 years in equal installments. This benefit continues until the account balance is exhausted. If the retiree dies before the account balance is paid, any remaining amount is paid as a lump sum to the retiree's beneficiary.

The following table shows the components of the Net Pension Obligation at the end of the year:

	2016	2015	2014
Annual Required Contribution (Stipend)	\$ 1,002,826	\$ 1,037,402	\$ 1,099,043
Interest on Net Pension Obligation (BOY)	32,910	29,250	35,372
Adjustment to ARC for Net Pension Obligation	(55,968)	(49,744)	(58,402)
Annual Pension Cost	979,768	1,016,908	1,076,013
Estimated Contributions	(1,032,418)	(894,926)	(1,280,064)
Increase (Decrease) in Net Pension Obligation	(52,650)	121,982	(204,051)
Net Pension Obligation - Beginning of Fiscal Year	1,096,993	975,011	1,179,062
Net Pension Obligation - End of Fiscal Year	\$ 1,044,343	\$ 1,096,993	\$ 975,011

11. LONG-TERM DEBT

In October 31, 2002 and April 2003, the District issued \$113,978,012 of limited tax pension obligation bonds to finance its unfunded actuarially accrued liability (UAL) with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the District's UAL and resulted in an estimated present value savings of approximately \$29.3 million over the life of the bonds. The actual savings realized by the District over the life of the bonds is uncertain because of the various legislative changes and legal issues pending with the PERS system which could impact the District's future required contribution rate.

In December of 2014, the District issued \$170,380,000 in government obligation bonds for the purpose of refunding a portion of its government obligation bonds issued in 2007. The bonds were sold at a premium of \$28,237,296. A total of \$198,617,296 was raised to buy back bonds issued in 2007 with an outstanding principal balance of \$153,556,142 and value as of December 18, 2014 of \$197,631,199. The difference of \$986,097 was paid for various costs of issuance.

The 2014 refunding resulted in a deferred loss on the Statement of Net Position of \$35,334,060 due to the excess of the principal balance and premium of the new bonds as compared to the principal balance and premium outstanding for the bonds that were paid off. Although the stated amount of bonded debt is now higher, the District will save a significant amount of money over the life of the new bonds due to the reduction in interest payments. The present value of the savings on the total debt service of the refunding bonds in comparison to the old bonds is \$15,119,698. The deferred loss is amortized on the straight line basis over the life of the 2014 refunding bonds. The unamortized balance as of June 30, 2016 was \$3,255,586.

In May of 2016, the District issued \$23,830,000 in government obligation bonds for the purpose of refunding additional 2007 bonds. The bonds were sold at a premium of \$3,084,637. In addition, the District provided \$464,705 of its own funds to bring the total money raised to \$27,379,342. 2007 bonds with a principal balance of \$25,630,000 were paid off and transaction costs were \$209,421. The difference of \$1,539,921 is reported as a deferred loss on the Statement of Net Position and amortized over the life of the new bonds. \$8,040,000 of principal balance remains on the 2007 bonds.

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

11. LONG-TERM DEBT (CONTINUED)

Bonds payable are as follows:

Issue Date	Interest Rates	Original Issue	Outstanding June 30, 2015	Issued	Matured And Redeemed	Outstanding June 30, 2016
May 2016	2.0 - 4.0%	23,830,000	-	23,830,000	-	23,830,000
December 2014	2.0 - 5.0%	170,380,000	169,910,000	-	1,370,000	168,540,000
August 2011	4.0 - 5.0%	3,490,000	3,490,000	-	-	3,490,000
December 2007	4.0 - 5.0%	229,596,142	40,605,000	-	32,565,000	8,040,000
December 2004	2.0 - 5.0%	65,160,000	27,190,000	-	8,250,000	18,940,000
October 2002	2.06-6.1%	21,009,781	39,725,018	-	1,017,642	38,707,376
April 2003	2.06-6.1%	26,941,738	46,538,297	-	1,696,334	44,841,963
			\$ 327,458,315	\$ 23,830,000	\$ 44,898,976	\$ 306,389,339
Premium/(Discount)			26,576,278	3,084,637	1,661,018	27,999,897
Total Bonds Payable			\$ 336,750,318	\$ 26,914,637	\$ 46,559,994	\$ 334,389,236

All general obligation debt has annual principal and semi-annual interest payment requirements. All long-term debt obligations are payable from the General and Debt Service funds. The contracts payable is comprised of five contracts, two are lease purchase agreements for the purchase of computers, and three are installment purchase agreements for buses and food service equipment. The District defeased 1998 GO bonds, and \$19,445,000 are still outstanding. Notes payable at June 30, 2016 consist of the following:

	Issued to	Issue Date	Maturity Date	Interest Rate	Original Issue Amount	Amount Outstanding
Property Schedule #9	Key Bank	June 29, 2007	Dec. 29, 2016	4.0-4.5%	2,235,743	143,860
Property Schedule #10	Key Bank	Mar. 10, 2008	Apr. 10, 2018	4.23%	3,941,454	925,473
Property Schedule #11	Key Bank	June 1, 2009	Sep 10, 2019	4.0-4.5%	3,535,896	1,346,769
Property Schedule #12	Key Bank	Jan. 20, 2012	Jan. 20, 2022	2.78%	1,403,237	887,933
Property Schedule #13	Key Bank	Jan. 20, 2013	Dec. 20, 2022	2.37%	1,665,122	1,126,382
Property Schedule #14	Key Bank	Dec. 10, 2014	Dec. 20, 2024	2.79%	1,157,224	1,004,171
Property Schedule #15	Key Bank	July 23, 2015	Jun. 20, 2025	2.96%	900,000	819,231
Freeman Building	US Bank	Nov. 4, 2011	Oct. 1, 2016	3.82%	2,700,000	2,249,147
Total					\$ 17,538,676	\$ 8,502,966

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

11. LONG-TERM DEBT (CONTINUED)

The following table displays the District's total long term debt:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 327,458,315	\$ 23,830,000	\$ 44,898,976	\$ 306,389,339	\$ 22,165,549
Contracts Payable	77,438	-	15,488	61,950	15,488
Notes Payable	9,238,393	900,000	1,635,427	8,502,966	3,692,834
Accrued Compensated Absences	666,381	-	116,969	549,412	549,412
Other Post Employment Benefits	10,036,078	-	135,103	9,900,975	-
Net Pension Obligation, Stipend	1,096,993	-	52,650	1,044,343	-
Total Long-term Liabilities	\$ 348,573,598	\$ 24,730,000	\$ 46,854,613	\$ 326,448,985	\$ 26,423,283

Future maturities of bonds, contracts, and notes are as follows:

	General	Contracts	Notes	Total	Interest Due
2016-2017	22,165,549	15,488	3,692,834	25,873,871	18,070,265
2017-2018	12,757,058	15,488	1,351,923	14,124,469	17,576,174
2018-2019	8,895,283	15,488	913,653	9,824,424	17,560,620
2019-2020	9,784,047	15,486	735,659	10,535,192	17,793,567
2020-2021	13,132,080	-	541,826	13,673,906	13,640,204
2021-2026	105,310,322	-	1,267,071	106,577,393	57,296,222
2026-2031	116,095,000	-	-	116,095,000	18,255,842
2031-2032	18,250,000	-	-	18,250,000	730,000
	<u>\$ 306,389,339</u>	<u>\$ 61,950</u>	<u>\$ 8,502,966</u>	<u>\$ 314,954,255</u>	<u>\$ 160,922,894</u>

Future payment schedules for each individual debt item are located on page 68.

12. INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2016, is shown in the basic financial statements. The interfund receivables and payables are used for a pooling of cash. The interfund transfers are used to fund operations in the various funds.

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

13. RECEIVABLES

Receivables, as of year-end for the government's individual major funds and nonmajor, internal service in aggregate, including the applicable allowances for uncollectable accounts, are as follows:

Uncollected Taxes	\$ 4,985,044
Taxes Receivable - July Turnover	297,259
Grants Receivable	6,470,431
Other Miscellaneous Receivables	<u>3,183,882</u>
Total Receivables	<u>\$ 14,936,616</u>

14. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue. The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

15. COMMITMENTS AND CONTINGENCIES

The District is involved in various claims and legal matters relating to its operations which have all been tended to, and are either being adjusted by the District's liability carrier, or are being defended by attorneys retained by the District's liability carrier. The status of these matters is uncertain at this time. Any potential loss is also uncertain.

The District receives a substantial portion of its operating funding from the State of Oregon. State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate they can cause the District to either have increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the District's operations cannot be determined.

16. SUBSEQUENT EVENT

In November, 2016, the District's voters approved a \$433 million construction bond measure. Bond proceeds will be used to renovate/replace Milwaukie High School, convert Rock Creek Middle School into the District's fourth comprehensive high school, address safety needs, construct a new elementary school, address unfunded maintenance, purchase property for a future middle school and complete major renovations at other schools throughout the District.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

NORTH CLACKAMAS SCHOOL DISTRICT
CLACKAMAS COUNTY, OREGON

SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended June 30, 2016

OPEB						
Schedule of Funding Progress						
Valuation Date	Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL ÷ Payroll
6/30/2011	\$ -	\$ 19,363,213	\$ 19,363,213	0.0%	\$ 75,040,356	25.80%
6/30/2013	\$ -	\$ 14,389,637	\$ 14,389,637	0.0%	\$ 71,792,068	20.04%
6/30/2015	\$ -	\$ 5,288,603	\$ 5,288,603	0.0%	\$ 76,160,245	6.9%

Schedule of Employer Contributions

Year Ended June 30,	Annual OPEB Cost	Contributions	% of Annual OPEB Cost Contributed
2015	\$ 260,687	\$ 381,031	146.2%
2014	1,399,585	756,800	54.1%
2013	1,413,253	713,465	50.5%

STIPEND						
Schedule of Funding Progress						
Valuation Date	Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL ÷ Payroll
6/30/2011	\$ -	\$ 9,225,232	\$ 9,225,232	0.0%	\$ 50,660,892	18.2%
6/30/2013	\$ -	\$ 11,070,495	\$ 11,070,495	0.0%	\$ 49,621,196	22.3%
6/30/2015	\$ -	\$ 11,155,722	\$ 11,155,722	0.0%	\$ 52,641,795	21.2%

Schedule of Employer Contributions

Year Ended June 30,	Annual Pension Cost	Contributions	% of Annual OPEB Cost Contributed
2015	\$ 1,016,908	\$ 894,926	88.0%
2014	1,076,012	1,280,064	119.0%
2013	1,078,925	929,773	86.2%

**NORTH CLACKAMAS SCHOOL DISTRICT
CLACKAMAS COUNTY, OREGON**

**REQUIRED SUPPLEMENTARY INFORMATION
For the fiscal year ended June 30, 2016**

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) District's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.54 %	\$ 31,054,190	\$ 79,190,775	39.2 %	91.2 %
2015	0.55	(12,449,878)	74,894,505	(16.6)	103.6
2014	0.55	28,028,915	70,863,117	39.6	92.0

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

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

SCHEDULE OF CONTRIBUTIONS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2016	\$ 2,813,974	\$ 2,813,974	\$ -	\$ 85,807,840	3.3%
2015	6,228,511	6,228,511	-	79,190,775	7.9%
2014	5,775,344	5,775,344	-	74,894,505	7.7%

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

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

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016**

	<u>GENERAL FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Revenue From Local Sources:				
Taxes	\$ 52,680,000	\$ 52,680,000	\$ 57,145,671	\$ 4,465,671
Penalties and Interest	365,000	365,000	230,333	(134,667)
Earnings from investments	242,500	242,500	270,574	28,074
Extracurricular Activities	120,000	120,000	82,815	(37,185)
Fees	200,000	200,000	246,864	46,864
Rentals	450,000	450,000	169,597	(280,403)
Contributions - private	100,000	100,000	96,166	(3,834)
Services Provided Other LEA's	63,000	63,000	30,767	(32,233)
Services Provided Other Funds	1,450,000	1,450,000	2,034,414	584,414
Fees Charged to Grants	150,000	150,000	106,712	(43,288)
Miscellaneous	500,000	500,000	416,343	(83,657)
Total Local Revenue	56,320,500	56,320,500	60,830,256	4,509,756
Revenue From Intermediate Sources:				
Other Intermediate Sources	2,626,500	2,626,500	2,549,721	(76,779)
Total Intermediate Revenue	2,626,500	2,626,500	2,549,721	(76,779)
Revenue From State Sources:				
Unrestricted State Grants	100,350,491	100,350,491	97,289,461	(3,061,030)
Total State Revenue	100,350,491	100,350,491	97,289,461	(3,061,030)
Revenue From Federal Sources:				
Federal Forest Fees	90,000	90,000	97,719	7,719
Total Federal Revenue	90,000	90,000	97,719	7,719
Total Revenue	\$ 159,387,491	\$ 159,387,491	\$ 160,767,157	\$ 1,379,666

Continued on pages 49-50A

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2016

	GENERAL FUND				PURCHASED SERVICES	SUPPLIES & MATERIALS	CAPITAL OUTLAY	OTHER OBJECTS	TOTAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	SALARIES	EMPLOYEE BENEFITS						
Instruction:										
Regular programs:										
Elementary			\$ 19,669,755	9,891,048	14,501	991,238	-	-	\$ 30,566,542	\$
Middle/JHS			8,496,935	4,221,325	5,392	194,644	-	-	12,918,296	
Middle/JHS-cocurricular			119,018	33,058	1,788	13,354	-	20	167,238	
High School Programs			12,517,653	6,251,280	106,851	416,829	-	27,486	19,320,099	
High School-cocurricular			1,107,311	338,168	156,798	113,060	-	59,911	1,775,248	
Special alternative programs:										
Talented and Gifted			2,363	575	207	3,981	-	-	7,126	
Programs for Students with Disabilities			3,075,332	1,864,144	1,706,716	33,027	-	-	6,679,219	
Resource room and other disabled			3,995,996	2,159,804	3,544	85,067	-	-	6,244,411	
Remediation			135,867	66,187	-	-	-	-	202,054	
Alternative Education			24,388	11,331	45,301	6,462	-	-	87,482	
Charter School			-	-	8,446,833	-	-	-	8,446,833	
English Second Language Learners			2,680,485	1,407,091	12,183	15,593	-	-	4,115,352	
Designated Programs			3,038	854	508	-	-	-	4,400	
Transportation Fees			126,419	40,134	-	1,625	-	-	168,178	
Total Instruction	94,507,681	95,227,681 (1)	51,954,560	26,284,999	10,500,622	1,874,880	-	87,417	90,702,478	4,525,203
Support Services:										
Students:										
Attendance and Social Work			767,804	456,128	377,645	10,877	-	694	1,613,148	
Guidance services			2,521,455	1,255,474	6,904	6,144	-	494	3,790,471	
Health Services			448,632	143,182	6,600	5,605	-	-	604,019	
Psychological services			257,567	109,048	669	4,870	-	-	372,154	
Speech Pathology and Audiology			1,022,039	519,519	17,269	9,792	-	-	1,568,619	
Treatment, Student Services			355,202	175,204	53,690	8,433	-	-	592,529	
Direction, Student Services			971,926	455,829	2,487	4,892	-	-	1,435,134	
Improvement of Instruction Services			2,398,457	1,279,681	78,342	218,378	-	115	3,974,973	
Assessment and Testing			150,143	70,286	8,413	2,145	-	-	230,987	
Instructional Staff Development			502,229	550,987	86,214	166,568	-	4,106	1,310,104	
Board of Education Services			-	-	258,885	10,115	-	25,571	294,571	
Executive Administrative Services			767,013	308,443	179,545	61,989	-	199	1,317,189	
Office of the Principal			6,823,362	3,593,184	43,279	226,301	-	864	10,686,990	
Other Support Services			51,063	6,877	35,553	158	-	295	93,946	
Business:										
Direction of Business Support			32,949	13,839	-	-	-	10	46,798	
Fiscal Services			823,143	458,320	106,102	32,501	-	37,711	1,457,777	
Operation and maintenance			4,556,118	2,694,284	4,564,977	1,007,672	95,610	421,523	13,340,184	
Student transportation			5,258,117	3,479,191	570,671	1,155,826	-	488,157	10,951,962	
Internal services			269,317	152,284	453,075	7,561	-	2,075	884,312	
Direction of Central Support Service			-	-	6,424	-	-	-	6,424	
Information Services			454,530	243,410	183,728	25,581	-	7,339	914,588	
Staff Services			949,246	438,460	292,375	80,056	-	21,476	1,781,613	
Technology Services			1,275,939	682,497	547,425	1,057,495	-	-	3,563,355	
Other Support Services			-	-	-	(118)	-	-	(118)	
Supplemental Retirement			615,915	422,440	-	-	-	-	1,038,355	
Total Support Services	64,252,790	64,252,790 (1)	31,272,166	17,508,567	7,880,272	4,102,840	95,610	1,010,629	61,870,084	2,382,706

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF EXPENDITURES AND TRANSFERS
 BUDGETARY BASIS
 For the Year Ended June 30, 2016

	GENERAL FUND				PURCHASED SERVICES	SUPPLIES & MATERIALS	CAPITAL OUTLAY	OTHER OBJECTS	TOTAL	VARIANCE TO FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	SALARIES	EMPLOYEE BENEFITS						FAVORABLE -UNFAVORABLE
EXPENDITURES (continued):										
Enterprise and Community Services										
Community Service & Care of Children	\$ 44,647	\$ 44,647	\$ 12,798	\$ 2,660	\$ 5,131	\$ 320	\$ -	\$ -	\$ 20,909	\$ 23,738
Total Enterprise and Community Services	44,647	44,647 (1)	12,798	2,660	5,131	320	-	-	20,909	23,738
Facilities Acquisition and Construction:										
Other Construction Services	40,000	40,000	-	-	-	-	-	-	-	40,000
Total Facilities Acquisition and Construction	40,000	40,000	-	-	-	-	-	-	-	40,000
Contingency	9,373,310	6,678,310 (1)	-	-	-	-	-	-	-	6,678,310
Total Expenditures	168,218,428	166,243,428	\$ 83,239,524	\$ 43,796,226	\$ 18,386,025	\$ 5,978,040	\$ 95,610	\$ 1,098,046	152,593,471	13,649,957
Excess of Revenues Over, (Under) Expenditures	(8,830,937)	(6,855,937)							8,173,686	15,029,623
Other Financing Sources, (Uses):										
Transfers In	439,741	439,741							367,000	(72,741)
Transfers Out	(2,630,556)	(4,605,556) (1)							(4,605,556)	-
Total Other Financing Sources, (Uses)	(2,190,815)	(4,165,815)							(4,238,556)	(72,741)
Net Change in Fund Balance	(11,021,752)	(11,021,752)							3,935,130	14,956,882
Fund Balance, July 1, 2015	11,021,752	11,021,752							17,423,780	6,402,028
Fund Balance, June 30, 2016	\$ -	\$ -							\$ 21,358,910	\$ 21,358,910

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

	SPECIAL REVENUE FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Federal grants	\$ 11,336,881	\$ 11,336,881	\$ 10,314,017	\$ (1,022,864)
State and local sources	4,965,430	4,965,430	4,655,644	(309,786)
Total revenues	16,302,311	16,302,311	14,969,661	(1,332,650)
EXPENDITURES:				
Current:				
Instruction	4,399,801	4,399,801	(1) 4,377,199	22,602
Support services	7,800,898	7,800,898	(1) 3,538,450	4,262,448
Enterprise & community services	6,626,006	6,626,006	(1) 6,366,004	260,002
Facilities Acquisition	391,051	391,051	(1) 66,751	324,300
Total expenditures	19,217,756	19,217,756	14,348,404	4,869,352
Revenues over (under) expenditures	(2,915,445)	(2,915,445)	621,257	3,536,702
Other Financing Sources, (Uses):				
Loan Receipts	2,310,040	2,310,040	900,000	(1,410,040)
Sale of Assets	-	-	8,900	8,900
Transfers In	1,339,832	1,339,832	1,339,832	-
Transfers out	(3,024,786)	(3,024,786)	(1) (2,952,045)	72,741
Total other financing sources	625,086	625,086	(703,313)	(1,328,399)
Net Change in Fund Balance	(2,290,359)	(2,290,359)	(82,056)	2,208,303
Fund Balance (Deficit), July 1, 2014	2,290,359	2,290,359	1,045,298	(1,245,061)
Fund Balance (Deficit), June 30, 2015	\$ -	\$ -	\$ 963,242	\$ 963,242

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

	OTHER FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
State and Local Sources	\$ 7,385,079	\$ 7,385,079	\$ 7,403,172	\$ 18,093
Earnings from investments	13,540	13,540	1,315	(12,225)
Total revenues	7,398,619	7,398,619	7,404,487	5,868
EXPENDITURES:				
Instruction	6,368,224	6,368,224	(1) 6,352,518	15,706
Support Services	978,355	978,355	(1) 969,250	9,105
Community Services	201,000	201,000	(1) 6,000	195,000
Facility Acquisition	1,647,563	1,647,563	(1) -	1,647,563
Total expenditures	9,195,142	9,195,142	7,327,768	1,867,374
Net Change in Fund Balance	(1,796,523)	(1,796,523)	76,719	1,873,242
Fund Balance, July 1, 2015 (budgetary basis)	1,835,023	1,835,023	10,215	(1,824,808)
Fund Balance, June 30, 2016 (budgetary basis)	\$ 38,500	\$ 38,500	\$ 86,934	\$ 48,434

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

COMMUNITY SERVICE FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Revenue from Local Sources:				
Tuition	\$ 25,600	\$ 25,600	\$ 48,547	\$ 22,947
Child Care	1,000,000	1,000,000	1,196,377	196,377
Rentals	275,000	275,000	330,105	55,105
Miscellaneous		-	227	227
Total Local Revenue	1,300,600	1,300,600	1,575,256	274,656
EXPENDITURES:				
Support Services	5,000	5,000 (1)	2,482	2,518
Enterprise and Community Services	1,562,038	1,562,038 (1)	1,557,935	4,103
Contingency	263,562	263,562 (1)	-	263,562
Total Expenditures	1,830,600	1,830,600	1,560,417	270,183
Excess of Revenues Over, (Under)				
Expenditures	(530,000)	(530,000)	14,839	544,839
Other Financing Sources, (Uses)				
Transfers Out	(25,000)	(25,000)	(25,000)	-
Net Change in Fund Balance	(555,000)	(555,000)	(10,161)	544,839
Fund balance (deficit)				
June 30, 2015	555,000	555,000	708,133	153,133
Fund balance (deficit)				
June 30, 2016	\$ -	\$ -	\$ 697,972	\$ 697,972

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SUPPLEMENTARY INFORMATION

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

DEBT SERVICE FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 28,051,232	\$ 28,051,232	\$ 28,697,308	\$ 646,076
Penalties and Interest on Taxes	100,000	100,000	115,668	15,668
Earnings from investments	100,000	100,000	104,503	4,503
Services Provided Other Funds	9,864,523	9,864,523	9,687,052	(177,471)
Total revenues	38,115,755	38,115,755	38,604,531	488,776
EXPENDITURES:				
Debt service	41,071,074	41,071,074 (1)	39,525,479	1,545,595
Total expenditures	41,071,074	41,071,074	39,525,479	1,545,595
Expenditures over revenues	(2,955,319)	(2,955,319)	(920,948)	(1,056,819)
Other Financing Sources, (Uses)				
Bond Proceeds		-	91,435	91,435
Transfers In	2,500,820	2,500,820	2,500,820	-
Total other financing sources, (uses)	2,500,820	2,500,820	2,592,255	91,435
Net Change in Fund Balance	(454,499)	(454,499)	1,671,307	1,148,254
Fund balance (deficit) June 30, 2015	454,499	454,499	1,387,027	932,528
Fund balance (deficit) June 30, 2016	\$ -	\$ -	\$ 3,058,334	\$ 3,058,334

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

CAPITAL PROJECTS FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings from investments	\$ -	\$ -	\$ 13,878	\$ 13,878
Miscellaneous	100,000	100,000	59,737	(40,263)
Construction Excise Tax	1,500,000	1,500,000	1,608,377	108,377
Total revenues	1,600,000	1,600,000	1,681,992	81,992
EXPENDITURES:				
Support Services	1,459,408	1,459,408 (1)	1,218,533	240,875
Facilities Acquisition	4,830,592	5,130,592 (1)	5,241,068	(110,476)
Total expenditures	6,290,000	6,590,000	6,459,601	130,399
Revenues over (under) expenditures	(4,690,000)	(4,990,000)	(4,777,609)	212,391
Other Financing Sources, (Uses)				
Loan Receipts	200,000	200,000	-	(200,000)
Sale of fixed assets	1,800,000	1,800,000	-	(1,800,000)
Transfers In	1,109,949	1,409,949	3,084,949	1,675,000
Transfers Out	(210,000)	(210,000) (1)	(210,000)	-
Total other financing sources	2,899,949	3,199,949	2,874,949	(325,000)
Net Change in Fund Balance	(1,790,051)	(1,790,051)	(1,902,660)	(112,609)
Fund balance (deficit) June 30, 2015	1,790,051	1,790,051	6,201,821	4,411,770
Fund balance (deficit) June 30, 2016	\$ -	\$ -	\$ 4,299,161	\$ 4,299,161

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2016

	<u>SELF-INSURANCE FUND</u>			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Recovery Stop Loss	\$ 150,000	\$ 150,000	\$ 302,636	\$ 152,636
RX America Refund	150,000	150,000	162,920	12,920
Service Provided Other Funds	32,574,978	32,574,978	27,917,484	(4,657,494)
Earnings from Investments	35,500	35,500	56,958	21,458
Miscellaneous	56,000	56,000	26,050	(29,950)
Total revenues	32,966,478	32,966,478	28,466,048	(4,500,430)
EXPENDITURES:				
Support services - self-insured losses and claims	40,359,777	40,359,777	(1) 31,949,540	8,410,237
Total expenditures	40,359,777	40,359,777	31,949,540	8,410,237
Expenditures over revenues	(7,393,299)	(7,393,299)	(3,483,492)	3,909,807
Other Financing Sources, (Uses)				
Transfers In	500,000	500,000	500,000	-
Net Change in Fund Balance	(6,893,299)	(6,893,299)	(2,983,492)	3,909,807
Fund Balance, July 1, 2015 (budgetary basis)	6,893,299	6,893,299	10,968,718	4,075,419
Fund Balance, June 30, 2016 (budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,985,226</u>	<u>\$ 7,985,226</u>

(1) Appropriation Level

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Year Ended June 30, 2016

	BALANCES JULY 1, 2015	ADDITIONS	DEDUCTIONS	BALANCES JUNE 30, 2016
<u>STUDENT ACTIVITY FUND</u>				
<u>ASSETS</u>				
Cash and cash equivalents	<u>\$ 1,991,478</u>	<u>\$ 4,259,818</u>	<u>\$ 4,245,900</u>	<u>\$ 2,005,396</u>
<u>LIABILITIES</u>				
Due to student groups	<u>1,991,478</u>	<u>4,259,818</u>	<u>4,245,900</u>	<u>2,005,396</u>
Total liabilities	<u>\$ 1,991,478</u>	<u>\$ 4,259,818</u>	<u>\$ 4,245,900</u>	<u>\$ 2,005,396</u>

**NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON**

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2016

TAX YEAR	UNCOLLECTED 7/1/2015	LEVY AS EXTENDED BY ASSESSOR	DISCOUNTS ALLOWED	INTEREST	ADJUSTMENTS	COLLECTIONS	UNCOLLECTED 6/30/2016
GENERAL FUND:							
Current 2015-2016	\$ -	\$ 59,069,176	1,517,521	25,505	(84,498)	56,173,980	\$ 1,293,177
Prior 2014-2015	1,298,229	-	(327)	52,860	(22,938)	585,769	689,849
2013-2014	649,191	-	(70)	43,758	(3,857)	201,016	444,388
2012-2013	472,699	-	(55)	60,470	(2,765)	176,095	293,894
2011-2012	306,615	-	(8)	34,604	(1,121)	82,738	222,764
2010-2011 & Prior	454,005	-	(7)	15,225	(2,003)	27,224	424,785
Total prior	3,180,739	-	(467)	206,917	(32,684)	1,072,842	2,075,680
Total General Fund	\$ 3,180,739	\$ 59,069,176	\$ 1,517,054	\$ 232,422	\$ (117,182)	\$ 57,246,822	\$ 3,368,857

RECONCILIATION TO REVENUE (GENERAL FUND):

Cash Collections by County Treasurers Above	\$ 57,246,822
Allocated to Debt Service	(110,269)
Other Taxes	9,118
Total Revenue	\$ 57,145,671

DEBT SERVICE FUND

Current 2015-2016	\$ -	\$ 29,539,574	758,889	12,755	(42,256)	28,091,731	\$ 646,698
Prior 2014-2015	538,981	-	(136)	21,946	(9,523)	243,192	286,402
2013-2014	317,620	-	(34)	21,409	(1,887)	98,348	217,419
2012-2013	237,148	-	(27)	30,336	(1,387)	88,345	147,443
2011-2012	181,154	-	(5)	20,444	(663)	48,884	131,612
2010-2011 & Prior	199,450	-	(3)	6,688	(880)	11,960	186,613
Total prior	1,474,353	-	(205)	100,823	(14,340)	490,729	969,489
Total Debt Service Fund	\$ 1,474,353	\$ 29,539,574	\$ 758,684	\$ 113,578	\$ (56,596)	\$ 28,582,460	\$ 1,616,187
Total all funds	\$ 4,655,092	\$ 88,608,750	\$ 2,275,738	\$ 346,000	\$ (173,778)	\$ 85,829,282	\$ 4,985,044

RECONCILIATION TO REVENUE (DEBT SERVICE FUND):

Cash Collections by County Treasurers Above	\$ 28,582,460
Allocated from General Fund	110,269
Other Taxes	4,579
Total Revenue	\$ 28,697,308



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

December 20, 2016

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of North Clackamas School District No. 12 as of and for the year ended June 30, 2016, and have issued our report thereon dated December 20, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether North Clackamas School District No. 12'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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe North Clackamas School District No. 12 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 for the following:

1. There was one instance where actual expenditures exceeded appropriations, as noted on page 29.

OAR 162-10-0230 Internal Control

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

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



Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

GRANT COMPLIANCE REVIEW

NORTH CLACKAMAS SCHOOL DISTRICT
CLACKAMAS COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

<u>Program Title</u>	<u>Pass Through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Period Covered</u>	<u>Expenditures</u>
U.S. Department of Education					
Title IA Grants to Local Educational Agencies	Oregon Department of Education	84.010	32640	07/01/14 - 09/30/16	333,414
	Oregon Department of Education	84.010	36031	07/01/15 - 09/30/16	1,847,524
	Oregon Department of Education	84.010	37537	07/01/15 - 09/30/16	35,613
Total Title I Grants to Local Education Agencies					<u>2,216,551</u>
English Language Acquisition State Grants	Oregon Department of Education	84.365	35018	07/01/14 - 09/30/16	2,495
	Oregon Department of Education	84.365	36345	07/01/15 - 09/30/16	196,375
Total English Language Acquisition State Grants					<u>198,871</u>
Supporting Effective Instruction State Grants	Oregon Department of Education	84.367	32964	07/01/14 - 09/30/16	83,791
	Oregon Department of Education	84.367	32964	07/01/14 - 09/30/16	23,130
	Oregon Department of Education	84.367	36228	07/01/15 - 09/30/16	380,581
Total Supporting Effective Instruction State Grants					<u>487,412</u>
Special Education Cluster					
IDEA, Part B - Special Education, Grants to States					
IDEA, Part B - Special Education	Oregon Department of Education	84.027	36929	07/01/15 - 09/30/17	2,849,764
IDEA Enhancement 15-16	Oregon Department of Education	84.027	38385	10/01/15 - 09/30/16	12,731
IDEA Extended Assessment 15-16	Oregon Department of Education	84.027	35783	07/01/15 - 06/30/16	8,100
SPR & I	Oregon Department of Education	84.027	37945	08/01/15 - 06/30/16	10,419
Total IDEA, Part B - Special Education, Grants to States					<u>2,881,014</u>
Special Education Preschool Grants	Oregon Department of Education	84.173	33504	07/01/14 - 09/30/16	8,618
Total Special Education Cluster					<u>2,889,632 (1)</u>
21st Century Community Learning Centers	Oregon Department of Education	84.287	36389	07/01/15 - 09/30/17	18,653
	Oregon Department of Education	84.287	32277	07/01/14 - 09/30/16	135,255
	Oregon Department of Education	84.287	36389	07/01/15 - 09/30/17	267,902
Total 21st Century Community Learning Centers					<u>421,810</u>
Special Education - State Personnel Development	Oregon Department of Education	84.323	34437	09/01/14 - 06/30/15	4,539
	Oregon Department of Education	84.323	27763	07/01/13 - 01/15/16	2,721
Total Special Education - State Personnel Development					<u>7,260</u>
School District Collaboration Design	Oregon Department of Education	99.998	38194	07/01/15 - 06/30/17	24,568
Migrant Education State Grant Program	Clackamas Education Service District	84.011	37712	09/01/15 - 06/30/16	8,497
Career and Technical Education -- Basic Grants to States					
	Clackamas Education Service District	84.048	31753	09/01/15 - 09/30/16	34,412
	Clackamas Education Service District	84.048	36400	09/01/15 - 09/30/16	56,587
Total Career and Technical Education					<u>90,999</u>
Total U.S. Department of Education					<u>6,345,599</u>
U.S. Department of Labor					
Workforce Investment Act Youth Activities	US DEPARTMENT OF LABOR	17.259	15-16-2	07/01/15-06/30/16	64,657
U.S. Department of Health & Human Services					
Child Care Development Block Grant	Oregon Department of Education	93.575	ODE/OCC 14-036	07/01/15- 06/30/16	89,118
Total U.S. Department of Health & Human Services					<u>89,118</u>
U.S. Department of Agriculture:					
Child Nutrition Cluster:					
Donated Commodities (Non-Cash Assistance)	Oregon Department of Education	10.555	N/A	07/01/15 - 06/30/16	374,812
School Breakfast Program	Oregon Department of Education	10.553	N/A	07/01/15 - 06/30/16	638,350
National School Lunch Program	Oregon Department of Education	10.555	N/A	07/01/15 - 06/30/16	2,649,224
Summer Food Program for Children	Oregon Department of Education	10.559	N/A	07/01/15 - 06/30/16	41,270
Total Child Nutrition Cluster					<u>3,703,656</u>
Child and Adult Care Food Program	Oregon Department of Education	10.558	N/A	07/01/15 - 06/30/16	55,108

(1) Major Program

Fresh Fruit & Vegetable Program	Oregon Department of Education	10.582	38620	07/01/15 - 06/30/16	1,629
	Oregon Department of Education	10.582	38620	07/01/15 - 06/30/16	1,398
	Oregon Department of Education	10.582	38620	07/01/15 - 06/30/16	1,838
	Oregon Department of Education	10.582	38620	07/01/15 - 06/30/16	2,313
	Oregon Department of Education	10.582	38620	07/01/15 - 06/30/16	2,108
	Oregon Department of Education	10.582	38620	07/01/15 - 06/30/16	2,588
	Oregon Department of Education	10.582	38620	07/01/15 - 06/30/16	2,527
	Oregon Department of Education	10.582	38621	07/01/15 - 06/30/16	1,394
	Oregon Department of Education	10.582	38621	07/01/15 - 06/30/16	1,287
	Oregon Department of Education	10.582	38621	07/01/15 - 06/30/16	1,755
	Oregon Department of Education	10.582	38621	07/01/15 - 06/30/16	2,158
	Oregon Department of Education	10.582	38621	07/01/15 - 06/30/16	2,132
	Oregon Department of Education	10.582	38621	07/01/15 - 06/30/16	2,561
	Oregon Department of Education	10.582	38621	07/01/15 - 06/30/16	990
	Oregon Department of Education	10.582	38622	07/01/15 - 06/30/16	1,806
	Oregon Department of Education	10.582	38622	07/01/15 - 06/30/16	1,597
	Oregon Department of Education	10.582	38622	07/01/15 - 06/30/16	1,993
	Oregon Department of Education	10.582	38622	07/01/15 - 06/30/16	2,430
	Oregon Department of Education	10.582	38622	07/01/15 - 06/30/16	2,322
	Oregon Department of Education	10.582	38622	07/01/15 - 06/30/16	3,049
	Oregon Department of Education	10.582	38622	07/01/15 - 06/30/16	3,111
	Oregon Department of Education	10.582	38622	07/01/15 - 06/30/16	145
	Oregon Department of Education	10.582	33930	07/01/15 - 06/30/16	1,523
	Oregon Department of Education	10.582	33931	07/01/15 - 06/30/16	1,668
	Oregon Department of Education	10.582	33931	07/01/15 - 06/30/16	1,398
	Oregon Department of Education	10.582	33932	07/01/15 - 06/30/16	61
	Oregon Department of Education	10.582	33932	07/01/15 - 06/30/16	1,298
	Oregon Department of Education	10.582	36634	07/01/15 - 09/30/15	1,986
	Oregon Department of Education	10.582	36636	07/01/15 - 09/30/15	1,977
	Oregon Department of Education	10.582	36635	07/01/15 - 09/30/15	1,871
	Oregon Department of Education	10.582	34568	07/01/15 - 09/30/15	967
Total Fresh Fruit & Vegetable					<u>55,880</u>

Schools and Roads - Grants to States	Clackamas and Multnomah Counties	10.665	N/A	07/01/15 - 06/30/16	97,719
Total U.S. Department of Agriculture					<u>3,912,363</u>
Total Expenditures of Federal Awards					<u>10,411,736</u>



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

December 20, 2016

To the Board of Directors
North Clackamas School District No. 12

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Clackamas School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.



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December 20, 2016

To the Board of Directors
North Clackamas School District No. 12

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited North Clackamas School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2016. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, North Clackamas School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Kenneth Allen, CPA
Municipal Auditor
PAULY, ROGERS AND CO., P.C.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of Auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

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

FEDERAL AWARDS

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses ☐ Yes ☒ None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance? ☐ Yes ☒ No

Identification of major programs

<u>CFDA Number(s):</u>	<u>Name of Federal Program:</u>
84.027, 84.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

OTHER INFORMATION

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

FUTURE MATURITIES OF LONG TERM DEBT
For the Year Ended June 30, 2016

Year	Key Bank No. 9		Key Bank No. 10		Key Bank No. 11	
	Principal	Interest	Principal	Interest	Principal	Interest
2016-2017	143,860	3,187	453,053	34,407	359,609	67,684
2017-2018	-	-	472,420	15,040	379,216	48,077
2018-2019	-	-	-	-	399,892	27,401
2019-2020	-	-	-	-	208,052	5,597
	<u>\$ 143,860</u>	<u>\$ 3,187</u>	<u>\$ 925,473</u>	<u>\$ 49,447</u>	<u>\$ 1,346,769</u>	<u>\$ 148,759</u>

Year	Key Bank No. 12		Key Bank No. 13		Key Bank No. 14	
	Principal	Interest	Principal	Interest	Principal	Interest
2016-2017	137,966	23,732	162,263	25,739	106,237	27,280
2017-2018	141,827	19,871	166,132	21,870	109,222	24,296
2018-2019	145,798	15,900	170,092	17,910	112,290	21,228
2019-2020	149,879	11,819	174,147	13,855	115,445	18,072
2020-2021	154,075	7,623	178,299	9,703	118,688	14,829
2021-2026	158,388	3,310	275,449	6,554	442,289	25,022
	<u>\$ 887,933</u>	<u>\$ 82,255</u>	<u>\$ 1,126,382</u>	<u>\$ 95,631</u>	<u>\$ 1,004,171</u>	<u>\$ 130,727</u>

Year	Key Bank No. 15		US Bank		Altamont Lid	
	Principal	Interest	Principal	Interest	Principal	Interest
2016-2017	80,699	23,657	2,249,147	42,961	15,488	4,644
2017-2018	83,106	21,250	-	-	15,488	3,405
2018-2019	85,581	18,775	-	-	15,488	2,166
2019-2020	88,136	16,220	-	-	15,486	926
2020-2021	90,764	13,592				
2021-2025	390,945	26,479				
	<u>\$ 819,231</u>	<u>\$ 119,973</u>	<u>\$ 2,249,147</u>	<u>\$ 42,961</u>	<u>\$ 61,950</u>	<u>\$ 11,141</u>

Year	PERS Bond #1		PERS Bond #2		2004 Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016-2017	1,036,771	3,461,916	1,698,777	4,018,445	9,110,000	947,000
2017-2018	1,054,791	3,673,897	1,692,268	4,314,955	9,830,000	491,500
2018-2019	1,069,845	3,898,842	1,680,438	4,621,785	-	-
2019-2020	1,080,969	4,137,718	1,673,078	4,944,145	-	-
2020-2021	-	-	1,662,080	5,280,143	-	-
2021-2026	24,580,000	7,136,893	23,925,323	16,159,464	-	-
2026-2028	9,885,000	772,887	12,510,000	938,903	-	-
	<u>\$ 38,707,376</u>	<u>\$ 23,082,153</u>	<u>\$ 44,841,964</u>	<u>\$ 40,277,840</u>	<u>\$ 18,940,000</u>	<u>\$ 1,438,500</u>

Year	2011 Refunding Bonds		2007 GO Bonds		2014 Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016-2017	-	143,614	8,040,000	402,000	845,000	7,930,700
2017-2018	-	143,614	-	-	180,000	7,913,800
2018-2019	-	143,614	-	-	5,885,000	7,908,400
2019-2020	-	143,614	-	-	6,765,000	7,624,150
2020-2021	3,490,000	143,614	-	-	7,710,000	7,295,900
2021-2026	-	-	-	-	55,295,000	29,734,700
2026-2031	-	-	-	-	91,860,000	12,717,850
2031-2032	-	-	-	-	-	-
	<u>\$ 3,490,000</u>	<u>\$ 718,070</u>	<u>\$ 8,040,000</u>	<u>\$ 402,000</u>	<u>\$ 168,540,000</u>	<u>\$ 81,125,500</u>

Year	2016 Refunding Bonds	
	Principal	Interest
2016-2017	1,435,000	913,300
2017-2018	-	884,600
2018-2019	260,000	884,600
2019-2020	265,000	877,450
2020-2021	270,000	874,800
2021-2026	1,510,000	4,203,800
2026-2031	1,840,000	3,876,200
2031-2032	18,250,000	730,000
	<u>\$ 23,830,000</u>	<u>\$ 13,244,750</u>

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12
CLACKAMAS COUNTY, OREGON

STATISTICAL SECTION

NORTH CLACKAMAS SCHOOL DISTRICT 12

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	<u>2015-16</u>	<u>2014-15*</u>	<u>2013-14</u>	<u>2012-13</u>
Governmental activities:				
Net investment in capital assets	\$ 62,543,176	51,288,143	\$ 81,726,027	\$ 76,044,983
Restricted	8,320,737	8,634,146	12,650,009	13,639,570
Unrestricted	<u>(59,616,903)</u>	<u>(35,441,604)</u>	<u>(14,795,128)</u>	<u>(24,485,940)</u>
Total primary government net position	<u>\$ 11,247,010</u>	<u>24,480,685</u>	<u>\$ 79,580,908</u>	<u>\$ 65,198,613</u>

2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
\$ 93,717,904	\$ 85,124,788	\$ 71,396,172	\$ 67,381,808	\$ 55,963,940	\$ 27,447,340
15,346,184	12,202,757	1,054,501	2,136,818	2,991,578	3,410,442
(42,569,534)	(45,826,740)	(27,440,851)	(22,950,639)	(20,237,582)	(19,120,797)
\$ 66,494,554	\$ 51,500,805	\$ 45,009,822	\$ 46,567,987	\$ 38,717,936	\$ 11,736,985

*as restated for GASB 68

Source: North Clackamas School District 12JT financial records.

NORTH CLACKAMAS SCHOOL DISTRICT 12

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	2015-16(1)	2014-15(1)	2013-14(1)	2012-13(1)
General Fund (1)				
Unassigned	\$ 21,358,910	17,423,780	\$ 11,437,858	\$ 6,719,640
Unreserved	-	-	-	-
Total general fund	<u>\$ 21,358,910</u>	<u>17,423,780</u>	<u>\$ 11,437,858</u>	<u>\$ 6,719,640</u>

All Other Governmental Funds(1)				
Nonspendable--Inventory	-	-	-	44,012
Resticted for:				
Future Capital Projects	\$ 4,299,161	6,201,821	\$ 6,424,943	\$ 6,692,229
Special Grants and Services	963,242	1,045,298	1,989,165	2,442,343
Debt Service	3,058,334	1,387,027	4,235,901	4,504,998
Planning activities	-	-	-	-
Other activities	-	-	-	-
Committed to:				
Restoration of School Days	-	-	-	-
Community Projects and Classes	697,972	708,133	643,584	422,879
Assigned to:				
Unspecified	-	-	-	-
Reserved for:				
Capital Projects	-	-	-	-
Reserve for Scholarships	-	-	-	-
Unreserved, reported in:				
Debt Service Fund	-	-	-	-
Communtiy Service Fund	-	-	-	-
Scholarship fund	86,934	10,215	(212,990)	(179,060)
Special revenue funds	-	-	-	-
Capital Projects Fund	-	-	-	-
Total all other governmental funds	<u>\$ 9,105,643</u>	<u>9,352,494</u>	<u>\$ 13,080,603</u>	<u>13,927,401</u>

	2011-12(1)	2010-11(1)	2009-10	2008-09	2007-08	2006-07
	\$ 10,118,425	\$ 3,103,710	-	-	-	-
	-	-	\$ 3,615,826	\$ 5,795,923	\$ 7,479,508	\$ 5,619,332
	<u>\$ 10,118,425</u>	<u>\$ 3,103,710</u>	<u>\$ 3,615,826</u>	<u>\$ 5,795,923</u>	<u>\$ 7,479,508</u>	<u>\$ 5,619,332</u>
	74,797	333,800	-	-	-	-
	\$ 10,458,546	\$ 11,700,310	\$ -	\$ -	\$ -	\$ -
	796,760	502,447	-	-	-	-
	4,090,878	(529,192)	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	1,200,000	-	-	-	-
	283,919	108,871	-	-	-	-
	-	2,000,000	-	-	-	-
	-	-	-	-	-	-
	-	-	29,312,230	76,600,001	186,704,084	239,418,253
	-	-	-	-	249,897	228,068
	-	-	1,054,501	2,136,818	2,991,578	3,410,442
	-	-	28,354	90,503	143,492	78,696
	(258,928)	(139,494)	(293,816)	(95,168)	(492,332)	-
	-	-	2,254,603	2,512,317	1,450,911	855,380
	-	-	-	-	-	-
	<u>15,445,972</u>	<u>15,176,742</u>	<u>32,355,872</u>	<u>81,244,471</u>	<u>191,047,630</u>	<u>243,990,839</u>

(1) GASB 54 implemented - requiring new fund balance categories. Over time all fund balances will be reported under new GASB 54 fund balance categories.

(2) Assigned/Reserved for capital expenditures fluctuate from years when bonds are sold in anticipation of capital construction to years where capital expenditures are made.

NORTH CLACKAMAS SCHOOL DISTRICT 12
TAXABLE PROPERTY VALUES
Last Ten Fiscal Years

FISCAL YEAR	REAL MARKET VALUE	PROPERTY VALUE ASSESSED VALUATION(1)			TOTAL DIRECT TAX RATE(2)
		TOTAL ASSESSED VALUATION	LESS URBAN RENEWAL EXCESS	TOTAL	
2015-16	\$ 11,833,617,732	12,517,679,363	169,607,486	12,348,071,877	7.241
2014-15	\$ 11,281,017,275	11,931,103,331	141,751,946	11,789,351,385	\$ 6.8154
2013-14	10,764,664,764	11,387,758,910	119,971,829	11,267,787,081	7.0852
2012-13	12,767,620,456	11,387,758,910	119,971,829	11,267,787,081	7.1184
2011-12	12,442,681,334	10,725,351,614	627,865,298	10,097,486,316	7.577
2010-11	13,229,281,939	10,529,130,436	659,911,782	9,869,218,654	6.9554
2009-10	14,733,416,918	10,295,166,453	638,971,735	9,656,194,718	6.8789
2008-09	16,452,188,324	9,860,466,765	548,171,538	9,312,295,227	7.8246
2007-08	13,416,337,408	9,265,112,552	467,480,361	8,797,632,191	6.8913
2006-07	13,416,337,408	8,644,036,618	412,748,527	8,231,288,091	6.0389

(1) Clackamas County Tax Supervising and Conservation Commission

(2) per \$1,000 of assessed value.

Source: Clackamas County Department of Assessment and Taxation

NORTH CLACKAMAS SCHOOL DISTRICT 12
LARGEST TAXPAYERS WITHIN DISTRICT
CURRENT AND NINE YEARS AGO

	2016			2007		
		PERCENTAGE OF TOTAL DISTRICT'S			PERCENTAGE OF TOTAL DISTRICT'S	
	ASSESSED VALUATION	ASSESSED VALUATION		ASSESSED VALUATION	ASSESSED VALUATION	
PRIVATE ENTERPRISES						
General Growth Properties	249,221,847	1.99	%	135,592,867	1.57	%
Clackamas Baking Plant	134,221,980	1.07	%	127,867,323	1.48	%
PCC Structurals Inc	129,845,446	1.04	%	83,208,044	0.96	%
Portland General Electric Co	102,628,000	0.82	%	54,506,000	0.63	%
Comcast	84,430,100	0.67	%	-	0.00	%
Marvin F Poer & Company	73,854,510	0.59	%	53,539,413	0.62	%
Safeway Canada Hold Inc	-	0.00	%	46,387,977	0.54	%
Blount Inc	60,736,094	0.49	%	43,643,091	0.50	%
Warn Industries Inc	-	0.00	%	42,489,000	0.49	%
Kaiser Foundation Hospital	59,366,621	0.47	%	40,023,436	0.46	%
Nortwest Natural Gas Co	-	0.00	%	39,259,188	0.45	%
ROIC Oregon LLC	56,373,662	0.45	%	-	0.00	%
WH Portland Industrial LLC	54,559,000	0.44	%	-	0.00	%
SUB TOTAL	1,005,237,260	8.03	%	666,516,339	7.71	%
ALL OTHER TAXPAYERS	11,512,442,103	91.97	%	7,977,520,279	92.29	%
TOTAL	\$ 12,517,679,363	100.00	%	\$ 8,644,036,618	100.00	%

Source: Multnomah County Department of Assessment and Taxation

NORTH CLACKAMAS SCHOOL DISTRICT 12
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
Last Five Years

	Dollars per \$1,000 True Cash Value				
	2015-16	2014-15	2013-14	2012-13	2011-12
DIRECT:					
North Clackamas School District Permanent Rate	\$ 4.87	\$ 4.87	\$ 4.87	\$ 4.87	\$ 4.87
North Clackamas School District Bond	2.37	1.95	2.22	2.25	2.71
Weighted Average Direct (1)	<u>\$ 7.24</u>	<u>\$ 6.82</u>	<u>\$ 7.09</u>	<u>\$ 7.12</u>	<u>\$ 7.58</u>
Overlapping:					
City of Gladstone	5.81	5.81	5.81	5.81	5.81
City of Happy Valley	2.05	2.05	2.05	2.05	2.05
City of Milwaukie	4.28	4.27	4.07	4.07	4.07
City of Portland	7.76	7.89	7.98	7.81	7.69
Clackamas Community College	0.75	0.71	0.71	0.72	0.70
Clackamas County Rural	3.22	3.22	3.22	3.22	3.22
Clackamas City ESD	0.37	0.37	0.37	0.37	0.37
Clackamas County RFPD 1	2.50	2.46	2.46	2.47	2.46
Metro	0.39	0.46	0.47	0.40	0.31
North Clackamas Parks & Rec District	0.54	5.67	0.54	0.54	0.54
Oak Lodge Sanitary District	0.00	0.00	0.00	0.00	0.00
Port of Portland	0.07	0.07	0.07	0.07	0.07
	<u>27.73</u>	<u>32.97</u>	<u>27.75</u>	<u>27.53</u>	<u>27.29</u>
Totals*	<u>\$ 34.97</u>	<u>\$ 39.79</u>	<u>\$ 34.84</u>	<u>\$ 34.65</u>	<u>\$ 34.87</u>

*Numbers in totals do not reflect the actual tax rate for any one property, but are the results of the potential combination of taxing units within District boundaries.

(1) This is a weighted average rate as limited by ballot measure 5. Actual rates may vary by tax codes and lots because of differing compression.

N/A - Not Available

Source: Clackamas Counties Departments of Assessment and Taxation.

NORTH CLACKAMAS SCHOOL DISTRICT 12
PROPERTY TAX LEVIES AND COLLECTION
Last Ten Years

FISCAL YEAR ENDED JUNE 30	TOTAL TAX LEVY FOR FISCAL YEAR			COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY			TOTAL COLLECTIONS TO DATE	
	GENERAL FUND	DEBT SERVICE FUND	TOTAL	AMOUNT	PERCENTAGE OF LEVY	COLLECTIONS IN SUBSEQUENT YEARS	AMOUNT	PERCENTAGE OF LEVY
2015-16	59,069,176	29,539,574	88,608,750	84,265,711	95.1	1,563,571	85,829,282	96.9 %
2014-15	55,663,451	23,109,625	78,773,076	74,803,660	95.0	1,843,839	76,647,499	97.3 %
2013-14	51,360,022	25,128,043	76,488,065	72,498,279	94.8	2,128,760	74,627,039	97.6
2012-13	47,868,010	24,014,870	71,882,880	67,760,995	94.3	1,969,835	69,730,830	97.0
2011-12	47,775,661	28,226,948	76,002,609	71,405,816	94.0	1,790,532	73,196,348	96.3
2010-11	47,765,469	20,841,828	68,607,297	64,200,669	93.6	2,212,667	66,413,336	96.8
2009-10	46,418,357	20,259,136	66,677,493	62,447,669	93.7	2,149,331	64,597,000	96.9
2008-09	44,638,974	19,343,165	63,982,139	59,566,924	93.1	1,604,236	61,171,160	95.6
2007-08	42,475,846	18,537,792	61,013,638	57,351,288	94.0	1,189,512	58,540,800	95.9
2006-07	39,685,525	9,725,322	49,410,847	46,785,598	94.7	1,069,950	47,855,548	96.9

Source: Multnomah and Clackamas County Departments of Assessment and Taxation.

(1) Tax collections include discounts, interest and other adjustments.

NORTH CLACKAMAS SCHOOL DISTRICT 12

GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

GENERAL BONDED DEBT OUTSTANDING				
FISCAL YEAR	GENERAL OBLIGATION BONDS	PENSION OBLIGATION BONDS	UNAMORTIZED PREMIUM	TOTAL
2015-16	\$ 219,350,001	87,039,339	27,999,897	334,389,237
2014-15	237,705,000	89,753,315	26,576,278	354,034,593
2013-14	234,831,142	92,440,452	9,478,724	336,750,318
2012-13	246,501,142	94,983,239	10,005,319	351,489,700
2011-12	256,681,142	97,566,604	10,531,915	364,779,661
2010-11	265,406,142	100,067,163	11,058,510	376,531,815
2009-10	279,291,142	102,464,395	11,585,105	393,340,642
2008-09	291,596,142	104,750,987	12,111,700	408,458,829
2007-08	302,476,142	106,902,612	11,675,837	421,054,591
2006-07	310,126,142	108,904,272	12,154,309	431,184,723
2005-06	85,980,000	110,725,258	(1,058,705)	195,646,553

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements

NORTH CLACKAMAS SCHOOL DISTRICT 12JT

DIRECT AND OVERLAPPING GROSS BONDED DEBT

June 30, 2016

GOVERNMENTAL UNIT	2015-16	GROSS (1)	NET (2)	PERCENT WITHIN	OVERLAPPING	
	REAL MARKET VALUATION	BONDED DEBT	DIRECT DEBT	SCHOOL DISTRICT(3)	GROSS (1) BONDED DEBT	NET (2) DIRECT DEBT
<u>DIRECT DEBT</u>						
North Clackamas School District	\$	\$ 306,389,340	\$ 306,389,340	100.00%	\$ -	\$ -
<u>OVERLAPPING GOVERNMENT</u>						
City of Gladstone	1,241,126,304	1,614,000	1,614,000	6.08%	98,146	98,146
City of Happy Valley	2,957,465,465	3,530,000	3,530,000	98.38%	3,472,680	3,472,680
City of Milwaukie	2,537,038,075	8,653,244	4,938,244	99.18%	8,582,590	4,897,923
City of Portland	105,293,841,403	663,337,916	194,580,568	0.08%	520,720	152,746
Clackamas Community College	42,743,413,773	88,991,012	62,061,012	39.39%	35,051,691	24,444,529
Clackamas County	58,446,871,966	103,175,136	101,775,136	28.81%	29,719,804	29,316,531
Clackamas Cty ESD	55,513,229,104	22,960,637	22,960,637	30.33%	6,963,364	6,963,364
Clackamas Cty RFPD 1	24,037,263,385	34,345,000	16,700,000	69.23%	23,778,452	11,562,095
Metro	238,253,176,805	228,690,000	199,855,000	6.98%	15,961,419	13,948,880
North Clackamas Parks & Rec District	16,922,811,894	9,220,000	-	96.29%	8,878,196	-
Oak Lodge Sanitary District	2,488,541,631	18,540,000	-	75.96%	14,083,577	-
Port of Portland	259,090,246,916	63,760,760	-	6.50%	4,143,174	169,444
TOTAL OVERLAPPING	809,525,026,721	1,246,817,705	608,014,597		151,253,813	95,026,338
TOTAL	\$ 809,525,026,721	\$ 1,553,207,045	\$ 914,403,937		\$ 151,253,813	\$ 95,026,338

Source: Debt Management Division, State of Oregon.

- (1) Gross bonded debt includes all bonds backed by a general obligation pledge including self-supporting general obligation bonds and limited tax debt.
(2) Net direct debt including all tax-supported bonds. Self-supporting bonds are excluded.
(3) The percentage of overlapping debt is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping district's taxable assessed value that is within the school district's boundaries and dividing it by the overlapping district's total taxable assessed value. These percentages are calculated by the State of Oregon Municipal Debt Advisory Commission.
Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

NORTH CLACKAMAS SCHOOL DISTRICT 12

OPERATING STATISTICS

Last Ten Fiscal Years

FISCAL YEAR	STUDENT ENROLLMENT(1)	AVERAGE DAILY MEMBERSHIP(2)	TEACHING STAFF (4)	PUPIL- TEACHER RATIO (3)
2015-2016	17,250	20,688	882	19.57
2014-2015	17,199	19,748	841.4	20.44
2013-2014	17,185	19,716	785.3	21.88
2012-2013	17,044	19,909	780.0	21.85
2011-2012	17,280	20,026	767.7	22.51
2010-2011	17,348	19,991	897.5	19.33
2009-2010	17,578	20,126	977.9	17.98
2008-2009	17,728	20,342	1021.2	17.36
2007-2008	17,569	20,453	959.6	18.31
2006-2007	17,436	19,916	904.4	19.28
2005-2006	17,039	19,682	858.5	19.85

FISCAL YEAR	NUMBER OF TYPE A LUNCES SERVED			NUMBER OF BREAKFASTS SERVED		
	PAID	FREE	REDUCED PRICE	PAID	FREE	REDUCED PRICE
2015-2016	458,755	645,111	140,172	57,414	265,364	44,970
2014-2015	426,601	648,923	113,433	50,839	244,557	34,884
2013-2014	396,840	678,311	120,794	39,494	271,555	37,265
2012-2013	401,027	709,000	120,300	40,236	279,846	37,954
2011-2012	467,704	765,052	124,806	49,109	296,456	40,430
2010-2011	490,255	730,743	116,440	41,612	272,296	36,469
2009-2010	550,239	718,336	149,117	51,161	278,994	49,358
2008-2009	579,677	594,974	154,973	62,431	236,134	37,347
2007-2008	554,029	508,044	137,813	64,555	196,106	30,998
2006-2007	N/A	N/A	N/A	N/A	N/A	N/A
2005-2006	N/A	N/A	N/A	N/A	N/A	N/A

(1) Enrollment in North Clackamas School District locations only.

(2) Average Daily Membership (ADMw) includes all resident students regardless of where they attend (including charter schools, schools outside the district, and schools for special needs students operated by other agencies and education service districts).

(3) Enrollment to Teacher Ratio

(4) Includes all licensed staff, not just classroom teachers, (i.e., counselors, special education, librarians).

N/A-Not Available

Sources: North Clackamas School District Human Resources Department, Food Service Department, High Schools,

Enrollment and Attendance Records.

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Appendix C

Book Entry Only System

**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may apply only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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Appendix D

Forms of Continuing Disclosure Certificates

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$140,292,626.40
(\$358,745,000 Maturity Amount)
North Clackamas School District No. 12
Clackamas County, Oregon
General Obligation Bonds
Series 2017A
(Tax-Exempt Deferred Interest Bonds)

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the North Clackamas School District No. 12 located in Clackamas County, Oregon (the “Issuer”) in connection with the issuance of the Issuer’s General Obligation Bonds, Series 2017A (Tax-Exempt Deferred Interest Bonds) (the “Securities”).

Section 1. Purpose of Certificate. This Certificate constitutes the Issuer’s written undertaking for the benefit of the holders of the Securities and to assist the underwriter of the Securities in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (the “Rule”).

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Securities, including persons holding Securities through nominees or depositories.

“Commission” means the United States Securities and Exchange Commission.

“MSRB” means the United States Municipal Securities Rulemaking Board or any successor to its functions.

“Official Statement” means the final official statement for the Securities dated January 31, 2017.

“Rule” means the Commission’s Rule 15c2-12 under the Securities Exchange Act of 1934, as it has been and may be amended.

Section 3. Financial Information. The Issuer agrees to provide or cause to be provided to the MSRB, the Issuer’s latest publicly available annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type included in the Official Statement under the heading “Appendix B – Financial Statements.”

To the extent not included in its annual financial statements and for the same period as such annual financial statements, the Issuer shall also provide information, of the type set forth in the Official Statement, containing:

1. the total real market value and total assessed value of property within the Issuer's boundaries (as indicated in the records of the county assessors), or other statement of property valuation that reflects then current Oregon statutes pertaining to property valuation;
2. the amount or rate of property taxes levied by the Issuer for the fiscal year for both operations and debt service, and the amount of property taxes the Issuer received during the fiscal year;
3. the total principal amount of general obligation bonds and other tax-supported obligations of the Issuer which are outstanding at the end of the fiscal year;
4. the major taxpayers for Clackamas County as presented in the Official Statement; and
5. ADMw, or successor measurement of student enrollment that determines funding level, if any.

Section 4. Timing. The information described in the preceding paragraph shall be provided on or before nine months after the end of the Issuer's fiscal year, commencing with information for the fiscal year ended June 30, 2017. The annual financial statements described in the preceding paragraph will be provided in the form of audited financial statements if they are then available, and otherwise will be provided in the form of unaudited financial statements. If audited financial statements are not then provided, the Issuer shall provide them to the MSRB when they are available. The Issuer's current fiscal year ends June 30. The Issuer may adjust this fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing this annual financial information separately, the Issuer may cross-reference to other documents provided to the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in Section 3 on or prior to the date set forth in the preceding paragraph.

Section 5. Material Events. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Security;

7. Modifications to the rights of Security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph 12, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 6. Termination. The Issuer's obligation to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. This Certificate, or any provision hereof, shall be null and void if the Issuer (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any provision of this Certificate, are invalid, have been repealed retroactively or otherwise do not apply to the Securities; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

Section 7. Amendment. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, provided that the following conditions are satisfied:

A. If the amendment relates to the provisions of Sections 3 or 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer with respect to the Securities, or the type of business conducted; and,

B. If this Certificate, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment either (i) is approved by the owners of the Securities pursuant to the terms of the Resolution as it is in effect at the time of the amendment or (ii) does not materially impair the interests of the owners or Beneficial Owners of the Securities as determined by a party unaffiliated with the Issuer.

In the event of any amendment of a provision of this Certificate, the Issuer shall describe such amendment in its next annual filing pursuant to Section 3 of this Certificate, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of the amendment shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual filing pursuant to Section 3 of this Certificate for the first fiscal year that is affected by the change in accounting principles should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Securities Owner's Remedies Under This Certificate. The right of any holder of Securities or Beneficial Owner of Securities to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder, and any failure by the Issuer to comply with the provisions of this undertaking shall not be an event of default with respect to the obligations hereunder.

Section 9. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB and with the identifying information prescribed by the MSRB.

Section 10. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is emma.msrb.org.

Section 11. Dissemination Agent. The Issuer may, from time to time, engage or appoint an agent to assist the Issuer in disseminating information hereunder (the "Dissemination Agent"). The

Issuer may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 12. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the 2nd day of March, 2017.

North Clackamas School District No. 12
Clackamas County, Oregon

Authorized Representative

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$182,350,000

North Clackamas School District No. 12

Clackamas County, Oregon

General Obligation Bonds

Series 2017B

(Tax-Exempt Current Interest Bonds)

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the North Clackamas School District No. 12 located in Clackamas County, Oregon (the “Issuer”) in connection with the issuance of the Issuer’s General Obligation Bonds, Series 2017B (Tax-Exempt Current Interest Bonds) (the “Securities”).

Section 1. Purpose of Certificate. This Certificate constitutes the Issuer’s written undertaking for the benefit of the holders of the Securities and to assist the underwriter of the Securities in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (the “Rule”).

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Securities, including persons holding Securities through nominees or depositories.

“Commission” means the United States Securities and Exchange Commission.

“MSRB” means the United States Municipal Securities Rulemaking Board or any successor to its functions.

“Official Statement” means the final official statement for the Securities dated January 31, 2017.

“Rule” means the Commission’s Rule 15c2-12 under the Securities Exchange Act of 1934, as it has been and may be amended.

Section 3. Financial Information. The Issuer agrees to provide or cause to be provided to the MSRB, the Issuer’s latest publicly available annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type included in the Official Statement under the heading “Appendix B – Financial Statements.”

To the extent not included in its annual financial statements and for the same period as such annual financial statements, the Issuer shall also provide information, of the type set forth in the Official Statement, containing:

1. the total real market value and total assessed value of property within the Issuer's boundaries (as indicated in the records of the county assessors), or other statement of property valuation that reflects then current Oregon statutes pertaining to property valuation;
2. the amount or rate of property taxes levied by the Issuer for the fiscal year for both operations and debt service, and the amount of property taxes the Issuer received during the fiscal year;
3. the total principal amount of general obligation bonds and other tax-supported obligations of the Issuer which are outstanding at the end of the fiscal year;
4. the major taxpayers for Clackamas County as presented in the Official Statement; and
5. ADMw, or successor measurement of student enrollment that determines funding level, if any.

Section 4. Timing. The information described in the preceding paragraph shall be provided on or before nine months after the end of the Issuer's fiscal year, commencing with information for the fiscal year ended June 30, 2017. The annual financial statements described in the preceding paragraph will be provided in the form of audited financial statements if they are then available, and otherwise will be provided in the form of unaudited financial statements. If audited financial statements are not then provided, the Issuer shall provide them to the MSRB when they are available. The Issuer's current fiscal year ends June 30. The Issuer may adjust this fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing this annual financial information separately, the Issuer may cross-reference to other documents provided to the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in Section 3 on or prior to the date set forth in the preceding paragraph.

Section 5. Material Events. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Security;

7. Modifications to the rights of Security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph 12, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

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B. If this Certificate, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment either (i) is approved by the owners of the Securities pursuant to the terms of the Resolution as it is in effect at the time of the amendment or (ii) does not materially impair the interests of the owners or Beneficial Owners of the Securities as determined by a party unaffiliated with the Issuer.

In the event of any amendment of a provision of this Certificate, the Issuer shall describe such amendment in its next annual filing pursuant to Section 3 of this Certificate, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of the amendment shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual filing pursuant to Section 3 of this Certificate for the first fiscal year that is affected by the change in accounting principles should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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Dated as of the 2nd day of March, 2017.

North Clackamas School District No. 12
Clackamas County, Oregon

Authorized Representative