

School District No. 1J, Multnomah County, Oregon

Portland Public Schools



Comprehensive Annual Financial Report For the year ended June 30, 2007



Roosevelt High School

The mission of the Portland Public Schools is to support all students in achieving their very highest educational and personal potential, to inspire in them an enduring love for learning, and prepare them to contribute as citizens of a diverse, multicultural, and international community.

Portland Public Schools

Comprehensive Annual Financial Report

For the year ended June 30, 2007

School District No. 1J, Multnomah County, Oregon

Portland, Oregon

Prepared by the Department of Finance

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Comprehensive Annual Financial Report

For the Year Ended June 30, 2007

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PORTLAND PUBLIC SCHOOLS

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Carole Smith
Superintendent

OFFICE OF THE SUPERINTENDENT

November 30, 2007

To Members of the Board of Education:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of School District No.1J, Multnomah County, Oregon (Portland Public Schools or the District) for the fiscal year ended June 30, 2007, together with the audit opinion thereon of our auditors as required by Oregon Revised Statutes 297.405 through 297.555, referred to as the Municipal Audit Law. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with District management. We believe the financial statements and related information are stated fairly in all material aspects in reflecting the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain maximum understanding of the District's financial affairs have been included.

To provide a reasonable basis for making these representations, District management has established and maintains an internal control structure designed to ensure that the assets of the District are protected 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 principals (GAAP). Our 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 a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal control structure is subject to periodic evaluation by management. We believe our internal control structure adequately safeguards the assets and provides reasonable assurance of proper recording of all financial transactions. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Financial Statement Presentation

Designed to meet the needs of a broad spectrum of financial statement readers, this Comprehensive Annual Financial Report (CAFR) is divided into four major sections:

The **Introductory Section** includes the table of contents, this transmittal letter, the District's organizational chart, and copies of certificates awarded for Portland Public Schools' 2006 CAFR.

The **Financial Section** includes the independent auditor's report, Management's Discussion and Analysis (MD&A), the basic financial statements including notes to the basic financial statements, required supplementary information (RSI), and supplemental information including the combining and individual fund financial statements.

The **Statistical Section** includes selected financial and demographic information, generally presented on a multi-year basis. This CAFR marks the third year for implementation of GASB Statement No. 44, resulting in new schedules designed to improve the understandability and usefulness of the information presented in the statistical section.

The **Audit Comments and Disclosures Section** contains disclosures required by the Minimum Standards for Audits of Oregon Municipal Corporations.

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 the MD&A and should be read in conjunction with it. The Portland Public Schools' MD&A can be found immediately following the Independent Auditor's Report.

Profile of the District

Established in 1851, Portland Public Schools is the largest and oldest school district in the State of Oregon. Located in northwestern Oregon at the confluence of the Columbia and Willamette rivers, the District's boundaries are generally the same as the City of Portland. The District covers an area over 145 square miles and has a population in excess of 500,000 including portions of the cities of Portland (pop. 533,427), Lake Oswego (pop. 36,502), and Milwaukie (pop. 20,810). The District maintains 106 facilities with a total floor area of close to 9.5 million square feet. Please see the Statistical Section, Schedule 16 for details of each building's size, age, and enrollment.

Student enrollment at October 31, 2006 was 46,345. Enrollment counts are compiled on or about the first of October. An enrolled student is defined as a student who attends one or more schools or programs within the District. Regardless of the number of schools or programs attended, each student is counted only once; the counts are unduplicated.

Program Type	Number of Programs	Enrollment	Enrollment Distribution
Regular Schools and Programs			
Elementary Schools	55	22,079	48%
Middle Schools	15	7,063	15%
High Schools	16	11,950	26%
Total Regular Schools & Programs	86	41,092	89%
Magnet/Special Focus Programs	8	2,578	5%
Total Regular & Special Focus Programs	94	43,670	94%
Community-Based Programs	24	1,303	3%
Special Education Programs	15	548	1%
Public Charter Programs	6	824	2%
Total Programs and Enrollment	139	46,345	100%

Source: PPS; Enrollment Summaries, October 2006

Since 1997, the District has experienced constant yearly declines in enrollment. Based on enrollment counts in October 2006, total enrollment declined by 663 students from the previous year. Based on the number of births, modest net out-migration of students, and fairly constant proportion of school-age children enrolling in Portland Public Schools, a decrease of 663 students indicates that there has probably not been a major change in the current demographic situation nor in the interest of most parents to enroll their children in our schools. We anticipate that Portland Public Schools enrollments will decrease annually by about 400 to 800 students over the next few years. We expect that – unless the situation changes greatly – Portland Public Schools enrollments will level off at about 44,000 students by 2012.

The District is governed by a seven-member Board of Education elected by the voters of the District for staggered four-year terms. The chief administrative officer of the District is the Superintendent, who is appointed by the Board. The Board is accountable for all fiscal matters that significantly influence operations.

Under Oregon State law, school districts are independent municipal corporations empowered to provide elementary and secondary educational services for the children residing within its boundaries. 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 special needs students, and providing for transportation and feeding of students in accordance with District, State, and Federal programs. This report includes all funds of the District.

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 Oregon Revised Statutes 294.305 through 294.520, inclusive. The budget for each individual fund is a plan for the financial operations to be conducted during the coming fiscal year and is adopted annually, prior to July 1, by the Board of Education after certification by the Multnomah County Tax Supervising and Conservation Commission. After adoption, the budget may be revised through procedures specified in State statute and Board policy.

Service Efforts and Accomplishments

- In 2006-07 the District marked the third year under the leadership of Dr. Vicki L. Phillips, who became Superintendent on August 1, 2004. During the 2006-07 school year, the State Board of Education revised the test scores students must achieve to “meet state standards.” To allow for an apples-to-apples comparison, the Oregon Department of Education (ODE) re-calculated results from 2005-06 using the new test score requirements along with the 2006-07 results. In addition, beginning in 2006-07, writing assessment results were not part of certain calculations where they had been included before. Again, ODE re-calculated the 2005-06 results to remove writing from the percentage of students meeting English/Language Arts standards. The changes reported in the table below reflect the recalculated 2005-06 test results.
- As can be seen, student achievement for Portland Public Schools was mixed this year, as it was statewide. The percentage of middle school students meeting standards was higher in both reading and math. Results were down in both subjects at the elementary level. Reading was up at the high school level and down in math.

Grade Level	Reading	Math
Elementary (grades 3-5)	80.0% met standards down .5 percentage point	74.8% met standards down 4.3 percentage points
Middle (grades 6-8)	77.5% met standards up 3.9 percentage point	76.0% met standards up .6 percentage points
High (grade 10)	64.5% met standards up .2 percentage point	56.0% met standards down .8 percentage points

- Another indicator of student achievement is the state report cards issued by the Oregon Department of Education. The report cards assigned a grade ranging from “exceptional” to “unacceptable” to schools across the state based on student achievement, attendance, high school dropout rate, and percent of students tested on the state assessment tests. A quarter of Portland Public Schools receiving report cards for 2006-07 were rated “exceptional” - a level reached by only 14% of schools statewide.

Eight Portland schools moved up in the ratings: 2 elementary schools, 5 middle schools, and 1 high school. Meanwhile, 18 schools slipped a notch: 16 elementary schools and 2 high schools. One thing that could have accounted for some schools getting lower ratings in 2006-07 was a decision made at the District level. The state’s computer-based testing system went offline in early March and students were required to take paper-pencil tests in May. PPS decided not to retest students who had already met state standards on the computer-based system. While that had no effect on the percentage of students meeting standards, it did impact state report card

ratings because a student who “exceeds” state standards counts for a higher weight in the report card calculations than a student who merely “meets” state standards. Undoubtedly, some of the students who met standards on the computer-based system would have exceeded had they been tested again in May using the paper-pencil test. The District based its decision not to retest those students, though, on the belief that more productive instructional activities could occur for those students than taking a test they had already “passed.” Without question, though, this decision affected some schools’ report card rating.

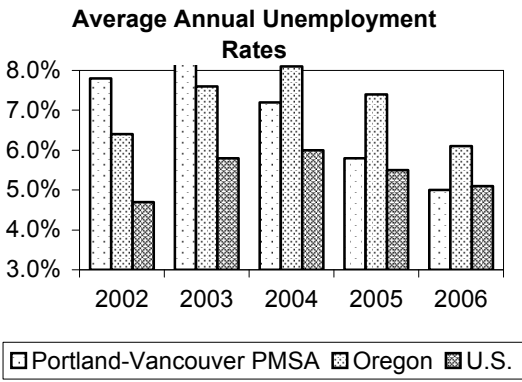
Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local economy. Portland, known as the “City of Roses,” and the surrounding metropolitan area has a widely diversified economy. Its centralized location and excellent transportation facilities have established the area as a major distribution point on the West Coast for wholesale trade and high tech exports. Education, Health Services and Hospitality account for the majority of the economy (21%).

Employment by Industry – June 2007

Education, Health Services, & Hospitality	21%
Trade, Transportation, & Utilities	20%
Information, Financial & Real Estate	14%
Government	14%
Professional, Business & Other Services	13%
Manufacturing	12%
Construction & Mining	6%



The Portland metropolitan area’s unemployment rate as of June 2007 was 4.8%, down from the recessionary peak of 8.8% in June 2003. Most sectors of the economy followed seasonal trends. Over the past year, the area has added 18,000 jobs, a 1.8% increase. Construction has slowed considerably from the rapid growth of recent years, with employment slightly higher than year ago levels.

Oregon’s unemployment rate was 5.1% in June 2007, down from a high of 8.4% during the recession in June 2003. Looking to the future, the state’s official economic

forecast predicts continued job growth, but at a slower pace of 1.2 percent to 1.8 percent.

Long term financial planning. The voters approved a local option levy on November 7, 2006. The assessment of \$1.25 per \$1,000 of assessed value will begin in the 2007-2008 school year. The Board continues to evaluate the best timing for asking voters to approve another capital bond levy. Capital bond levies have typically provided for such projects as roof replacements, boiler upgrades, new pipe installations, and electrical upgrades, as well as remodeling, replacing, or building schools, which are critical, since the average age of the school buildings in the District is over 60 years old. In 2008 the Board has earmarked \$4.5 million in the General Fund to maintain minimum levels of investment in buildings and technology, with \$3 million for facilities improvements and another \$1.5 million for computer and technology upgrades.

On April 23, 2007 the Board of Education and the custodians announced a tentative settlement under which the District would fund \$14.5 million to pay the custodians’ claims for compensation for lost pay, medical benefits, and other damages. Since a portion of the settlement was set aside for back wages, the District also has to pay approximately \$600,000 for the employer portion of taxes and PERS. The court approved the settlement agreement at the end of July 2007.

The government-wide Statement of Net Assets reflects the District’s liability of \$15.1 million.

Independent Audits

The provisions of Oregon Revised Statutes, Section 297.405 to 297.555 require an independent audit of the financial records and fiscal affairs of the District. The auditors selected by the Board of Education, Talbot, Korvola & Warwick, LLP, have completed their examination of the basic financial statements and, accordingly, have included their unqualified Independent Auditor's Report in the financial section of this report.

The Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 require state and local governments that expend \$500,000 or more in federal assistance in a year have a special form of audit conducted for that year. Since 1989, Portland Public Schools has issued a separate report on these requirements and the requirements of the implementing circular, U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. Talbot, Korvola & Warwick, LLP have also provided various required reports. Contained in the separately issued Single Audit Report is the Schedule of Expenditures of Federal Awards, and the required reports on internal controls and compliance with laws and regulations.

Awards and Acknowledgements

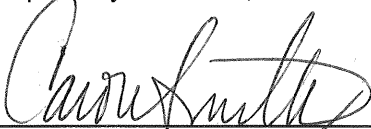
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the 27th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for this coveted Certificate.

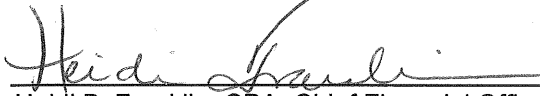
The Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the 27th consecutive year that the District earned this significant award. Receiving the Award is recognition that the District has met the highest standards of excellence in school financial reporting as adopted by ASBO. The District believes that this 2007 CAFR, which will be submitted to ASBO for review, will also conform to these standards.

We wish to express our appreciation to our Controller, Carol Ann Kirby, CPA, our Assistant Controller, Sharie Lewis, CPA, the staff of the Finance Department, and members of other District departments who assisted in the preparation of this comprehensive annual financial report. We further extend our appreciation to the members of the Board of Education, employees of the District, and the citizens of Portland whose continued cooperation, support, and assistance have contributed greatly to the achievements of Portland Public Schools.

Respectfully submitted,



Carole Smith, Superintendent



Heidi B. Franklin, CPA, Chief Financial Officer

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON
Principal Officials
At June 30, 2007

BOARD OF EDUCATION

<u>Member</u>	<u>Term Expires</u>	<u>Address</u>
Douglas Morgan	June 30, 2007	707 SW Dolph St., Portland, OR 97219
Bobbie Regan	June 30, 2007	1907 NW Mill Pond Rd., Portland, OR 97229
Dilafroz Williams	June 30, 2007	4207 SE Rex St., Portland, OR 97206
David Wynde	June 30, 2007	2332 NE 9 th Ave., Portland, OR 97212
Sonja Henning	June 30, 2009	2934 NE 26 th Ave, Portland, OR 97212
Dan Ryan	June 30, 2009	1743 N Holman, Portland, OR 97217
Trudy Sargent	June 30, 2009	1309 SE 55 th Ave, Portland, OR 97215

ADMINISTRATIVE STAFF

Vicki L. Phillips, Ph.D.....Superintendent *

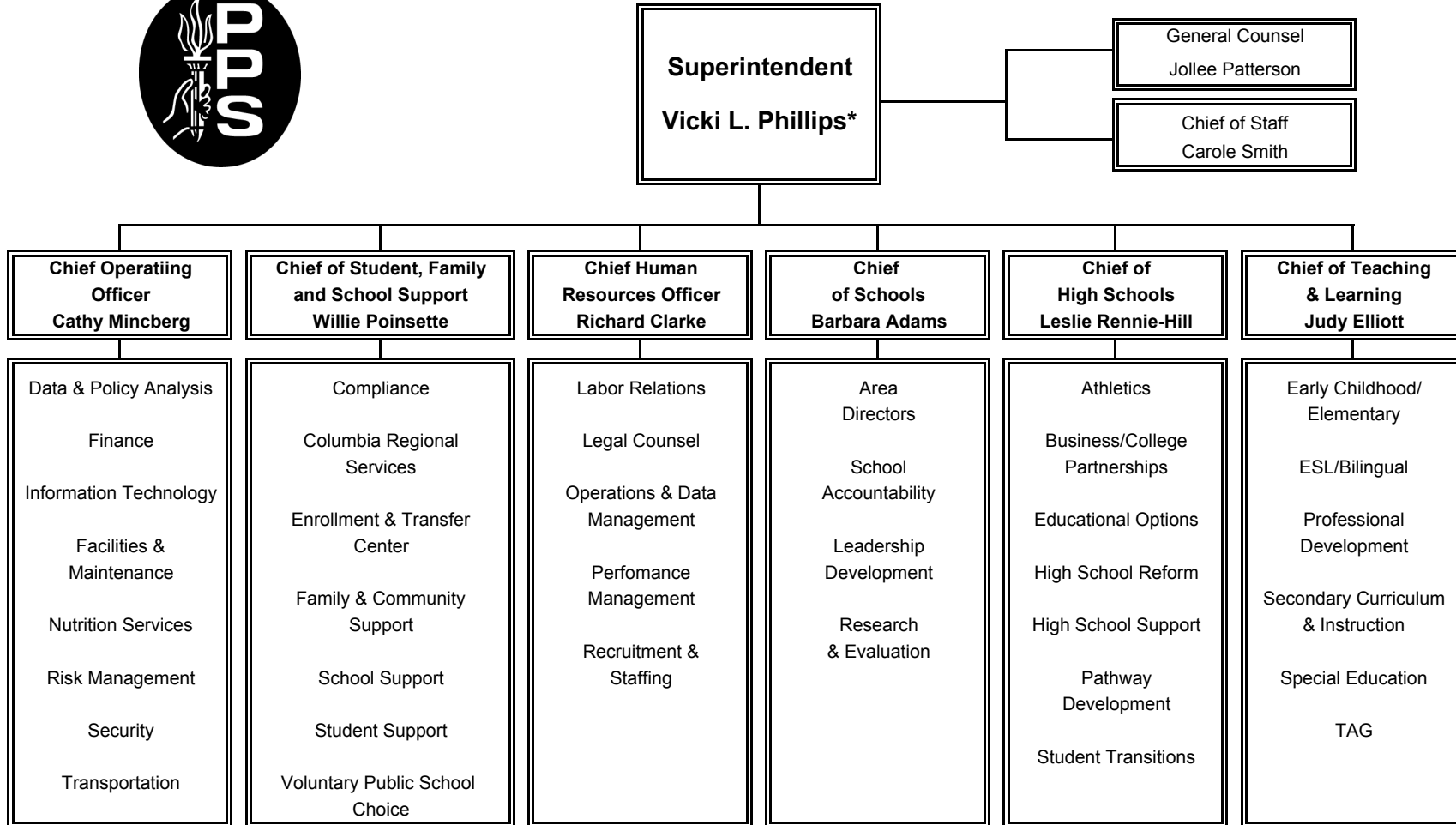
Cathy Mincberg, Ph.D..... Chief Operating Officer

Heidi B. Franklin, CPA Chief Financial Officer

Jollee Patterson General Counsel

* On June 30, 2007, Vicki L. Phillips resigned and on October 2, 2007, the Board appointed Carole Smith as the new Superintendent.

**Portland Public Schools
Organizational Chart
June 30, 2007**



* Ed Schmidt served as Interim Superintendent July 1, 2007 to October 2, 2007.

* Carole Smith was appointed Superintendent October 2, 2007 by Board

Certificate of Achievement for Excellence in Financial Reporting

Presented to

School District No. 1,
Multnomah County, Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

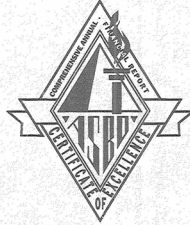
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

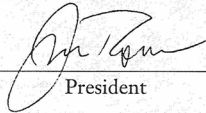
Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

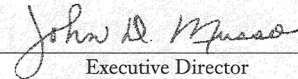


This Certificate of Excellence in Financial Reporting
is presented to
School District No. 1, Multnomah County, Oregon

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2006
upon recommendation of the Association's Panel of Review
which has judged that the Report substantially conforms
to principles and standards of ASBO's Certificate of Excellence Program



President



Executive Director

JSSCO

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INDEPENDENT AUDITOR'S REPORT

November 30, 2007

To the Board of Education
School District No. 1J, Multnomah County, Oregon
Portland, Oregon

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 1J, Multnomah County, Oregon (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Education
School District No. 1J, Multnomah County, Oregon
Portland, Oregon
November 30, 2007
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying required Supplementary Information consisting of the budgetary comparison information of the General, Grant and PERS Stabilization Reserve Funds, and the accompanying Supplementary Information consisting of combining and individual nonmajor fund financial statements and other schedules, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying Introductory and Statistical Sections, 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 financial statements and, accordingly, we express no opinion on them.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 

Timothy R. Gillette, Partner

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON
Management's Discussion And Analysis

As management of the School District No.1J, Multnomah County, Oregon (Portland Public Schools or the District), we offer readers this narrative overview and analysis of the financial activities of the Portland Public Schools for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights:

- ◆ The net assets of Portland Public Schools in the government-wide financial statements were \$236.5 million. Of this amount, \$180.0 million was invested in capital assets net of related debt and the remainder of \$56.5 million is unrestricted.
- ◆ Revenues were \$7.2 million more than anticipated primarily due to higher interest rates and increased proceeds under the State School Funding Formula.
- ◆ The District added \$2.1 million in new debt in the current year and reduced its outstanding debt by \$14.8 million. The District also committed to issue \$15.1 million of revenue bonds in fall of 2007 to fund the settlement with its custodians.
- ◆ At June 30, 2007, the General Fund had an unreserved fund balance of \$41.2 million, a decrease of \$2.0 million from June 30, 2006.

Overview of the Financial Statements:

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

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

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Portland Public Schools is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

The Statement of Activities of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). As is typical for a school district, Portland Public Schools has governmental activities, which include instruction, support services, enterprise and community services, non-capital facilities maintenance & replacement, interest, and fees on long-term debt. Portland Public Schools currently does not have any business-type activities.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements are designed to demonstrate compliance with finance-related legal requirements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of the Portland Public Schools can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financial decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Portland Public Schools designates three major governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Grant Fund, and the PERS Rate Stabilization Reserve Fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Portland Public Schools adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for each fund individually in either required or supplementary information to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 16-18 of this report.

Proprietary funds are used to account for a government's business-type activities. The District maintains only one type of proprietary fund, which is an internal service fund.

Internal service funds are accounting devices used to accumulate and allocate costs among various internal functions. The District uses an internal service fund to account for its Self-Insurance activities. Because Portland Public Schools has no business-type functions, this service benefits governmental functions and has been included within the governmental activities in the governmental-wide financial statements.

Internal service funds provide the same type of information as the government-wide financial statements. The internal service fund financial statements provide separate information for the Self-Insurance Fund, which is considered to be a major fund of Portland Public Schools.

The basic internal service fund financial statements can be found on pages 19-21 of this report

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22-38 of this report.

Required Supplementary Information (RSI) is located directly after the notes to the basic financial statements and represent the required comparison of the budget and actual results on the District's budgetary basis for the General Fund and the Grant Fund. This information is on pages 40-44.

The **Combining Statements** referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 47-52 of this report.

Government-Wide Financial Analysis:

Net assets. As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of Portland Public Schools, assets exceeded liabilities by \$236.5 million at the close of the most recent fiscal year.

Condensed Statement of Net Assets	Total School District Governmental Activities		Percentage Change
	2006	2007	2006-2007
Assets			
Current and other assets	\$ 169,096,617	\$ 167,963,849	-0.7%
Prepaid pension costs	478,576,495	471,759,384	-1.4%
Net capital assets	203,717,454	195,885,221	-3.8%
Total Assets	851,390,566	835,608,454	-1.9%
Liabilities			
Other debt outstanding	30,185,442	24,271,218	-19.6%
Limited tax pension bonds outstanding	483,232,785	476,415,674	-1.4%
Other liabilities	81,519,554	98,449,122	20.8%
Total Liabilities	594,937,781	599,136,014	0.7%
Net Assets			
Invested in capital assets, net of related debt	183,157,012	180,034,003	-1.7%
Unrestricted	73,295,773	56,438,437	-23.0%
Total Net Assets	\$ 256,452,785	\$ 236,472,440	-7.8%

By far the largest portion of the District's net assets (76.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for classrooms and supporting services for providing K-12 education. Consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, Portland Public Schools is able to report positive balances in all categories of net assets for governmental activities. During the current fiscal year the District's net assets decreased by approximately \$20.0 million from 2006. The revenues and expenses shown below outline changes in net assets for the fiscal years 2006 and 2007.

Changes in Net Assets	Government-Wide Activities		% of	%
	2006	2007	Total	Change
			2007	2006-2007
Revenues				
Program revenues				
Charges for services	\$ 9,312,366	\$ 10,446,097	2.2%	12.2%
Operating grants and contributions	78,872,919	93,578,299	19.3%	18.6%
Total program revenues	<u>88,185,285</u>	<u>104,024,396</u>	<u>21.5%</u>	<u>18.0%</u>
General revenues				
Property and other taxes	145,930,003	165,772,802	34.2%	13.6%
State school fund	157,061,375	164,182,040	33.9%	4.5%
State Common school fund	4,135,436	4,315,601	0.9%	4.4%
County and intermediate sources	59,612,824	30,008,532	6.2%	-49.7%
Investment earnings	5,554,172	7,794,612	1.6%	40.3%
Other	9,781,050	7,959,318	1.6%	-18.6%
Gain (loss) disposal of capital assets	(33,362)	346,735	0.1%	-1139.3%
Total general revenues	<u>382,041,498</u>	<u>380,379,640</u>	<u>78.5%</u>	<u>-0.4%</u>
Total revenues	<u>470,226,783</u>	<u>484,404,036</u>	<u>100.0%</u>	<u>3.0%</u>
Expenses				
Instruction	272,830,505	281,308,410	55.8%	3.1%
Support services	178,013,619	198,721,067	39.4%	11.6%
Enterprise and community services	15,385,942	15,186,804	3.0%	-1.3%
Non-capital facilities maintenance & replacement	-	7,632,659	1.5%	100.0%
Interest on long-term debt	1,816,178	1,535,441	0.3%	-15.5%
Total expenses	<u>468,046,244</u>	<u>504,384,381</u>	<u>100.0%</u>	<u>7.8%</u>
Increase (decrease) in net assets	2,180,539	(19,980,345)	-8.4%	-1016.3%
Net assets - beginning	254,272,246	256,452,785	108.4%	0.9%
Net assets - ending	<u>\$ 256,452,785</u>	<u>\$ 236,472,440</u>	<u>100.0%</u>	<u>-7.8%</u>

Revenues. Since the District's mission is to provide a free and appropriate public education for K-12 students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 78.5% of the funding required for governmental programs. Property taxes and State School Fund combined account for 86.9% of general revenues and 68.2% of total revenues.

Charges for services are only 2.2% of total revenues and are composed of the following items for which it is appropriate that the District charge tuition or fees:

◆ Food services charges for lunch, breakfast, catering, and contract services.	\$ 3,194,177
◆ Tuition is charged for all-day kindergarten, evening high school, out-of-district students, summer school, and driver's education.	4,099,560
◆ Facilities leverage District buildings by leasing and renting classrooms, gymnasiums, swimming pools, auditoriums, and entire vacant buildings.	2,156,977
◆ Athletics charges pay-to-play fees and sells tickets to events and games.	714,531
◆ Other sales, royalties, and events generate revenue, including commission on exclusive beverage contract.	<u>280,852</u>
Total Charges for Services:	<u><u>\$10,446,097</u></u>

Operating grants and contributions represent 19.3% or \$93.6 million of the total revenues. Included in this category are \$10.6 million for federal reimbursement under the school lunch program and \$7.3 million raised or donated by student body activities. Federal and state grants for designated programs totaled \$68.8 million and non-federal and state grants \$6.3 million and \$.6 of other revenue.

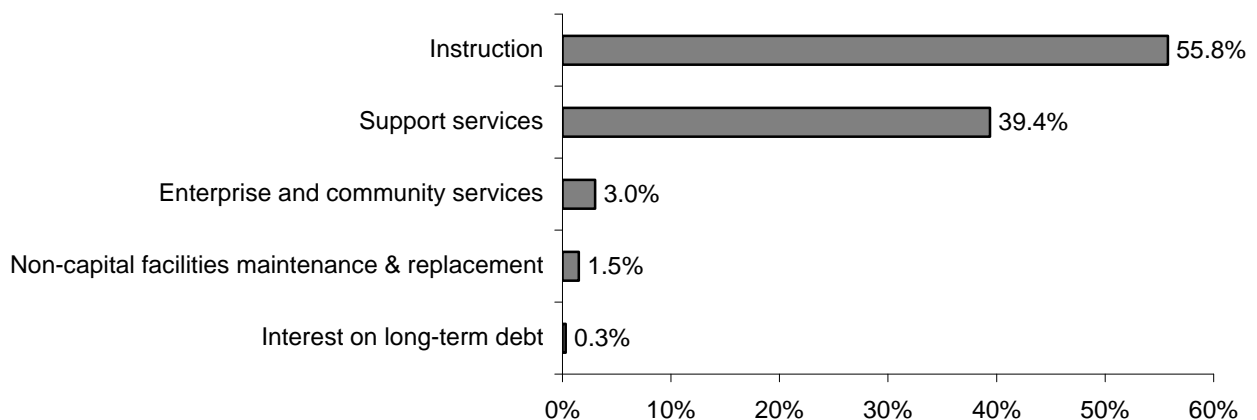
Other revenues were \$8.0 million which included recovery of prior year expenditures of \$1.1 million, fees charged to grants of \$3.7 million, and other miscellaneous items totaling \$3.2 million.

Expenses. Expenses related to governmental activities are presented in five broad functional categories. Costs of direct classroom instruction activities account for 55.8% of the total expenses of \$504.4 million. In addition, 39.4% of costs are in support services that relate to students, instructional staff and school administration.

Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Percentage</u>	<u>Net Revenue (Expense)</u>		<u>Percentage</u>
	2006	2007	2006-2007	2006	2007	2006-2007
Instruction	\$ 272,830,505	\$ 281,308,410	3.1%	\$ (224,252,692)	\$ (225,293,920)	0.5%
Support services	178,013,619	198,721,067	11.6%	(152,735,462)	(167,401,096)	9.6%
Enterprise and community services	15,385,942	15,186,804	-1.3%	(1,056,627)	1,503,131	-242.3%
Non-capital facilities maintenance and replacement	-	7,632,659	100.0%	-	(7,632,659)	100.0%
Interest on long-term debt	1,816,178	1,535,441	-15.5%	(1,816,178)	(1,535,441)	-15.5%
Total	\$ 468,046,244	\$ 504,384,381	7.8%	\$ (379,860,959)	\$ (400,359,985)	5.4%

Expenses by Service Type Fiscal Year 2007



Financial Analysis of the District's Funds:

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

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the District's financial requirements. In particular, *unreserved fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

General Fund. The General Fund is the major operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$41.2 million, which was a decrease of \$2.0 million over the prior year. Revenues were \$7.3 million more than budgeted, while expenditures were \$2 million more than revenue. Key factors in these revenue and expenditure components are as follows:

In addition to the State School Fund and Common School Fund netting an increase of \$3.2 million in 2006-07, other revenue amounts greater than budget included interest income of \$3.5 million, payments received on the sale of KBPS-FM and Ball Elementary School of \$1.8 million, a refund from the Health & Welfare Trust of \$1.0 million, and other income primarily related to grant charges of \$1.4 million. The revenue increases were offset by a \$2.0 million underpayment by the City of Portland for contributions to the District and under-collections of the Multnomah County Income Tax of \$1.6 million. Based on historical averages, actual expenditures are typically 1%-2% below budget. This year expenditures were 1.2% or \$4.3 million below budget. The 2006-07 adopted budget expected that the District would spend about \$12.8 million out of operating contingency. Instead, given the net increase in revenues described above, and given the usual under-spending, expenditures exceeded revenues by only \$2.0 million.

Grant Fund. Of the \$68.8 million in federal and state grants received in 2006-07, \$22.0 million represents funding for Title I and other Title funds targeted to provide additional services to students disadvantaged by poverty, to support migrant education, innovative programs, and safe and drug-free schools. Another approximately \$7.7 million was received for special education. Head Start, National Science Foundation, Voluntary Public School Choice, and Carl Perkins Grants (alternative education) also provide significant funding to their respective programs. Grants from both public and private entities include new awards from the Bill & Melinda Gates Foundation, \$2.5 million and the Nike Schools Innovation Grants, \$1.0 million, as well as the amounts remaining on multi-year awards from the Gates Foundation and the Striving Readers Program.

PERS Rate Stabilization Reserve Fund. The PERS Rate Stabilization Reserve Fund was established to achieve several objectives: (1) to help minimize large fluctuations in the PERS rate assessed on salaries and wages ultimately used for the PERS unfunded actuarial liability borrowing relative to the District's participation in the Oregon School Boards Association Pension Bond Program; (2) to provide prudent reserves to mitigate the investment risk inherent in the PERS system; and (3) to set aside and not spend all the savings generated by legislative reforms in the PERS pension plans, pending the outcome of the related Supreme Court case on the constitutionality of the changes. The \$16.8 million balance at June 30, 2007, was established through transfers from the General Fund. The Supreme Court upheld most of the legislative changes and reversed others. The PERS established rate for school districts for 2005-2007 was 16.97%, whereas the District's combined rate for PERS was 0.00%. The rate on the debt service pension bonds for the District was 10.63%. The difference between the school districts rate and District's PERS and pension bond rate effectively reduced PERS cost to the General Fund by approximately \$12.9 million for the fiscal year.

General Fund Budgetary Highlights:

The budget was adjusted during the year to reflect changing priorities in achieving goals set forth in the District strategic plan. The changes can be briefly summarized as follows:

Changes between the Adopted Budget and the Final Budget primarily reflect timing differences. The budget is adopted in June and the schools complete their staffing requirements in the fall. The budget is then realigned to reflect more closely the site-based decisions that have been made. This process is called "shakedown." The result this year is that the adopted expenditure budget was adjusted by moving \$6.8 million from contingency and added to support services to pay the net incremental increase in wages and benefits due to the rehiring of custodians as employees and the discontinuing of the use of contracted custodial services with a qualified rehabilitation facility.

Capital Asset and Debt Administration:

Capital assets. The District's investment in capital assets includes land, building and improvements, vehicles and equipment, and construction in progress. As of June 30, 2007, the District had invested \$195.9 million in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of accumulated depreciation)	Total School District		Percentage Change
	Governmental Activities		
	2006	2007	2006-2007
Land	\$ 8,774,770	\$ 8,756,243	-0.2%
Buildings	176,859,617	170,496,102	-3.6%
Vehicles & Equipment	16,730,297	14,446,356	-13.7%
Construction in Progress	1,352,770	2,186,520	61.6%
Total	\$ 203,717,454	\$ 195,885,221	-3.8%

During the year 2006-07, the District's investment in capital assets decreased by \$7.8 million. This is due to current depreciation of \$11.7 million exceeding new additions of \$4.5 million, less disposals of \$6 million net of accumulated depreciation. Major capital asset events during the current fiscal year included the following:

Building improvements in the areas of seismic upgrades, fire, life and safety, ADA compliance, and priority building repairs continue on a limited and emergency basis, since the capital bond proceeds are fully expended and voters have not yet been asked to vote for new bonds.

Additional information on the District's capital assets can be found in Note 7 on page 31.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$500.7 million. Of this amount, \$476.4 million represents limited tax pension and refunding bonds, and \$24.3 million comprises debt backed by the full faith and credit of the District. The District's total debt decreased by \$12.7 million, which is the net of new debt, issued for \$2.1 million and debt service payments of \$14.8 million.

Outstanding Long-Term Debt	Total School District		Percentage Change
	Governmental Activities		
	2006	2007	2006-2007
Limited tax pension and refunding bonds	\$ 483,232,785	\$ 476,415,674	-1.4%
Other long-term debt	30,185,442	24,271,218	-19.6%
Total	\$ 513,418,227	\$ 500,686,892	-2.5%

State statutes limit the amount of general obligation debt a school district may issue based on a formula for determining the percentage of the Real Market Value of all taxable properties within the District. The District's general obligation bond debt capacity is 7.95% of Real Market Value or \$5,036,778,000, which is significantly in excess of the District's outstanding general obligation debt.

PERS is Oregon's public pension system. Under a pension plan, the actuarial liability is the present value of the plan's current and expected benefits payments (plus administrative expenses). If a fund's actuarial liability exceeds its assets, then the fund has a shortfall that is known as an unfunded actuarial liability ("UAL"). The portion of the PERS UAL attributable to Oregon education districts was estimated at over \$1.68 billion based on the 2002 valuation. PERS requires that school districts pay (or "amortize") this UAL over a period of approximately 26 years with interest at 8% a year. Since interest rates had been at historic lows, an opportunity to benefit from interest rate arbitrage was created.

The District participated in the Oregon School Board Association ("OSBA") sponsored pooled pension obligation bond program, in which the proceeds from bond issues were used to offset a portion of the UAL. The details of the District's borrowing are in Note 10 to the Basic Financial Statements. The benefits of the arbitrage are seen in a substantial reduction in the District's PERS employer rate. This reduction in rates should dampen the effects of future increases in the District's UAL. As long as PERS' investment returns exceed the costs of servicing the bonds, the benefits of this program will exceed the costs. The District's UAL was reduced, but was not eliminated, by these borrowing transactions. Statutes, legislation, regulations, and rules regarding PERS can change at any time. These changes may improve or reduce the benefits of participation in the bond program.

Additional information on the District's long-term debt can be found in Note 10 on page 32 of this report.

Economic Factors and Next Year's Budget:

- The voters approved another 5-year local option property tax levy in November 2006 by a 63% majority. At \$1.25 per \$1,000 of assessed value, the local option is expected to generate revenues between \$33 million and \$37 million per year beginning in 2007-08.
- The Board continues to deliberate when to pursue asking the voters for additional capital bonds and for how much. The results of an extensive facilities assessment will inform the Board and the public about the needs of the buildings and help set priorities for future bond dollars. The Long Range Facilities Plan is expected to be completed by February 2008. The next election at which a ballot measure for property taxes may be passed with a simple majority, rather than a double majority, is November 2008.

Capital bond levies have typically provided for such projects as roof replacements, boiler upgrades, new pipe installations, and electrical upgrades, as well as remodeling, replacing, or building schools, which are critical, since the average age of the school buildings in the District is over 60 years old. In 2008 the Board has earmarked \$4.5 million in the General Fund to maintain minimum levels of investment in buildings and technology, of which \$3 million is for facilities improvements and \$1.5 million is for computer and technology upgrades.

- For the first time since 2003 unemployment rates in the Portland-Vancouver metropolitan area are not among the highest in the nation. The 4.8% rate in June 2007 reflects a decrease of approximately 4.2 percentage points compared to the record high of 8.8% in June 2003 and is slightly lower than the State's 5.1% rate.
- The bargaining agreement with the Portland Association of Teachers ("PAT") will expire in June 2008. Besides salaries and benefits, hiring, assignment and transfer will be the focus in the upcoming negotiations. The bargaining agreement with the Portland Federation of Teachers and Classified Employees ("PFTCE") expired June 2007, as did the substitute teachers contract and the agreement with the Service Employees International Union ("SEIU") for custodians and nutrition services workers. All three of these employee groups are currently in negotiations. The District Council of Unions ("DCU") ratified a four-year contract that will expire in June 2010.

Requests for Information:

This financial report is designed to provide a general overview of the Portland Public Schools' finances for all those with an interest in the District's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Finance Office, Portland Public Schools, 501 N Dixon, Portland, OR, 97227. An electronic copy of this and other prior year financial reports are available at the District website: www.pps.k12.or.us, site shortcut: **Financial Statements**.

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BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 50,969,785
Cash and cash equivalents held by fiscal agents	1,507,582
Cash equivalents held in trust	643,638
Investments	57,943,872
Accounts and other receivables	40,848,216
Property taxes and other taxes receivable	7,766,246
Inventories	1,383,470
Prepaid items	31,075
Prepaid pension costs	471,759,384
Bond issue costs, net of accumulated amortization	4,050,515
Noncurrent Assets:	
Note receivable - Due in more than one year	2,819,450
Capital Assets, net of accumulated depreciation:	
Land	8,756,243
Construction in progress	2,186,520
Buildings and capital improvements	170,496,102
Vehicles and equipment	14,446,356
Total assets	<u>835,608,454</u>
LIABILITIES	
Accounts payable	29,829,141
Accrued wages and benefits payable	60,822,866
Accrued bond interest payable	62,627
Unearned revenues	3,745,814
Other Current Liabilities:	
Claims payable- Due within one year	2,697,516
Bonds payable - Due within one year	15,238,863
Long Term Liabilities:	
Claims payable- Due in more than one year	1,291,158
Bonds payable - Due in more than one year	485,448,029
Total liabilities	<u>599,136,014</u>
NET ASSETS	
Invested in capital assets, net of related debt	180,034,003
Unrestricted	56,438,437
Total net assets	<u><u>\$ 236,472,440</u></u>

The notes to the basic financial statements are an integral part of this financial statement.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Statement of Activities
For the year ended June 30, 2007

Functions/Programs	EXPENSES	PROGRAM REVENUES		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 281,308,410	\$ 4,099,560	\$ 51,914,930	\$(225,293,920)
Support services	198,721,067	2,156,977	29,162,994	(167,401,096)
Enterprise and Community Services	15,186,804	4,189,560	12,500,375	1,503,131
Non-capital facilities maintenance & replacement	7,632,659	-	-	(7,632,659)
Interest and fees on long-term debt	1,535,441	-	-	(1,535,441)
Total governmental activities	\$ 504,384,381	\$ 10,446,097	\$ 93,578,299	(400,359,985)
GENERAL REVENUES (UNRESTRICTED):				
Property taxes, levies for operations				165,535,879
Property taxes, levies for debt service				37,318
Local option taxes				199,605
State School Fund				164,182,040
State Common School Fund				4,315,601
County and intermediate sources				30,008,532
Investment earnings				7,794,612
Other				7,959,318
Gain on disposal of capital assets				346,735
Total general revenues				380,379,640
Change in net assets				(19,980,345)
Net assets - beginning of year				256,452,785
Net assets - end of year				\$ 236,472,440

The notes to the basic financial statements are an integral part of this financial statement.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Governmental Funds
Balance Sheet
June 30, 2007

	General Fund	Grant Fund	PERS Rate Stabilization Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 33,285,144	\$ 6,723,405	\$ -	\$ 8,141,673	\$ 48,150,222
Cash and cash equivalents held by fiscal agents	1,471,257	-	-	36,325	1,507,582
Cash equivalent held in trust	643,638	-	-	-	643,638
Investments	33,852,882	-	16,800,000	1,060,990	51,713,872
Accounts and other receivables	31,637,753	10,196,841	-	1,780,868	43,615,462
Property taxes and other taxes receivable	7,495,237	-	-	271,009	7,766,246
Due from other funds	48,760	-	-	800,000	848,760
Inventories	792,202	-	-	591,268	1,383,470
Prepaid Items	31,075	-	-	-	31,075
Total assets	<u>\$ 109,257,948</u>	<u>\$ 16,920,246</u>	<u>\$ 16,800,000</u>	<u>\$ 12,682,133</u>	<u>\$ 155,660,327</u>
LIABILITIES					
Accounts payable	\$ 11,412,800	\$ 2,389,243	\$ -	\$ 876,366	\$ 14,678,409
Accrued wages and benefits	46,403,410	10,785,189	-	2,024,588	59,213,187
Due to other funds	800,000	-	-	48,760	848,760
Deferred revenues	9,418,136	3,745,814	-	227,963	13,391,913
Total liabilities	<u>68,034,346</u>	<u>16,920,246</u>	<u>-</u>	<u>3,177,677</u>	<u>88,132,269</u>
FUND BALANCES					
Unreserved, reported in:					
General Fund	41,223,602	-	-	-	41,223,602
Special revenue funds	-	-	16,800,000	8,358,478	25,158,478
Debt service funds	-	-	-	1,145,978	1,145,978
Total fund balances	<u>41,223,602</u>	<u>-</u>	<u>16,800,000</u>	<u>9,504,456</u>	<u>67,528,058</u>
Total liabilities and fund balances	<u>\$ 109,257,948</u>	<u>\$ 16,920,246</u>	<u>\$ 16,800,000</u>	<u>\$ 12,682,133</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	195,885,221
Long-term taxes receivable are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds.	6,826,649
The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	5,026,741
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(500,686,892)
PERS prepayment is not reported in the governmental funds.	471,759,384
Bond issue costs are not amortized over the life of the bonds in the governmental funds and therefore are expensed in the year of the bond issue.	4,050,515
Notes receivable are not collectable in the current period and therefore deferred revenue is recognized in the governmental funds.	2,819,450
Accrued compensated absences are not due and payable in the current period and therefore not reported in the governmental funds.	(1,595,062)
Accrued interest payable is not recognized as a liability in the government funds.	(62,627)
Long-term payables are not due and payable in the current period and therefore are not reported in the governmental funds.	(15,078,997)
Net assets of governmental activities	<u>\$ 236,472,440</u>

The notes to the basic financial statements are an integral part of this financial statement.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2007

	General Fund	Grant Fund	PERS Rate Stabilization Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property and other taxes	\$ 166,127,100	\$ -	\$ -	\$ 394,607	\$ 166,521,707
State School Fund	164,182,040	-	-	-	164,182,040
Local option taxes	199,605	-	-	-	199,605
County and intermediate sources	27,186,065	1,425,564	-	1,396,903	30,008,532
State Common School Fund	4,315,601	-	-	-	4,315,601
Federal and state support	-	68,790,616	-	11,343,758	80,134,374
Charges for services	3,940,291	-	-	6,505,806	10,446,097
Extracurricular activities	-	-	-	7,177,591	7,177,591
Investment earnings	7,461,871	-	-	69,653	7,531,524
Other	6,304,515	3,452,399	-	3,917,615	13,674,529
Total revenues	<u>379,717,088</u>	<u>73,668,579</u>	<u>-</u>	<u>30,805,933</u>	<u>484,191,600</u>
EXPENDITURES					
Current Operating:					
Instruction	221,347,283	42,583,633	-	12,998,528	276,929,444
Support services	152,143,384	29,162,993	-	1,611,649	182,918,026
Enterprise and Community Services	-	1,921,953	-	13,154,548	15,076,501
Non-capital facilities maintenance and replacement	4,691,487	-	-	2,941,173	7,632,660
Debt Service:					
Principal	699,226	-	-	7,340,000	8,039,226
Interest	183,326	-	-	1,229,140	1,412,466
Total expenditures	<u>379,064,706</u>	<u>73,668,579</u>	<u>-</u>	<u>39,275,038</u>	<u>492,008,323</u>
Excess (deficiency) of revenues over expenditures	<u>652,382</u>	<u>-</u>	<u>-</u>	<u>(8,469,105)</u>	<u>(7,816,723)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,000,000	-	-	8,703,806	10,703,806
Transfers out	(8,586,112)	-	(2,000,000)	(117,694)	(10,703,806)
Proceeds from the sale of capital assets	1,796,989	-	-	-	1,796,989
Proceeds from debt	2,125,000	-	-	-	2,125,000
Total other financing sources (uses)	<u>(2,664,123)</u>	<u>-</u>	<u>(2,000,000)</u>	<u>8,586,112</u>	<u>3,921,989</u>
Net change in fund balances	(2,011,741)	-	(2,000,000)	117,007	(3,894,734)
Fund balances - beginning of year	43,235,343	-	18,800,000	9,387,449	71,422,792
Fund balances - end of year	<u>\$ 41,223,602</u>	<u>\$ -</u>	<u>\$ 16,800,000</u>	<u>\$ 9,504,456</u>	<u>\$ 67,528,058</u>

The notes to the basic financial statements are an integral part of this financial statement.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds (page 17)	\$ (3,894,734)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report all capital outlay as expenditures. However, in the Statement of Activities the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the current period of \$11,718,666 exceeded capital outlays of \$4,549,261.	(7,169,405)
Governmental funds do not report the long term portion of notes receivable from the sale of capital assets in the current year. Revenue is recorded at the time the note payment is received. This is the amount that the long term portion was reduced in the current year.	(787,424)
Property tax revenues that do not provide current financial resources are not reported as revenues in the governmental funds. This is the change in deferred revenue related to property taxes.	(542,467)
The Internal Service Fund is used to account for all costs incurred for claims arising from workers' compensation, general liabilities, and property and fire losses. The primary funding sources are charges to other funds. This amount is the net income for the year.	2,661,402
Revenues need to be reduced by the net book value of capital assets sold. This equates to the depreciated cost of assets sold.	(662,830)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.	12,565,068
Governmental funds reported the prepayment of the PERS unfunded actuarial liability as an other financing use in prior years. However, in the Statement of Activities the expense is the amortization of the prepaid asset.	(6,817,111)
Long-term debt incurred for the custodial settlement is not due and payable in current period and therefore is not recognized in the governmental statements.	(15,078,997)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Change in compensated absences	(297,142)
Change in bond interest payable	43,295
Change in net assets of governmental activities (page 15)	\$ (19,980,345)

The notes to the basic financial statements are an integral part of this financial statement.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Proprietary Fund - Internal Service Fund
Statement of Net Assets
June 30, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,819,563
Investments	6,230,000
Accounts and other receivables	<u>52,205</u>
Total assets	<u>9,101,768</u>

LIABILITIES

Current Liabilities

Accounts payable	56,535
Accrued wages and benefits	14,618
Claims payable	2,697,516
Other	<u>15,200</u>
Total current liabilities	2,783,869

Long-term Liabilities

Claims payable	<u>1,291,158</u>
Total liabilities	<u>4,075,027</u>

NET ASSETS

Unrestricted	<u><u>\$ 5,026,741</u></u>
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The notes to the basic financial statements are an integral part of this financial statement.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Proprietary Fund - Internal Service Fund
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2007

OPERATING REVENUES

Charges for services	\$ 5,088,308
Insurance recoveries	141,352
Other	<u>3,727</u>
Total operating revenues	<u>5,233,387</u>

EXPENSES

Salaries and benefits	282,413
Materials and services	524,244
Claims expense	<u>2,028,417</u>
Total expenses	<u>2,835,074</u>
Operating income	2,398,313

NON-OPERATING REVENUE

Investment earnings	<u>263,089</u>
Net income	2,661,402
Net assets - beginning of year	<u>2,365,339</u>
Net assets - end of year	<u><u>\$ 5,026,741</u></u>

The notes to the basic financial statements are an integral part of this financial statement.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Proprietary Fund - Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from interfund services provided and used	\$ 5,088,308
Cash received from insurance recoveries	1,176,778
Cash payments for salaries and benefits	(293,119)
Cash payments for goods and services	(612,625)
Cash payments for claims	<u>(3,729,904)</u>
Net cash from operating activities	<u>1,629,438</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(883,000)
Investment earnings	<u>263,089</u>
Net cash from investing activities	<u>(619,911)</u>
Net increase in cash and cash equivalents	1,009,527

Cash and cash equivalents at beginning of year	<u>1,810,036</u>
Cash and cash equivalents at end of year	<u>\$ 2,819,563</u>

RECONCILIATION OF OPERATING INCOME TO CASH FROM OPERATING ACTIVITIES

Operating income	<u>\$ 2,398,312</u>
Adjustment to reconcile operating income to Net cash from operating activities:	
Decrease in accounts receivable	1,031,700
Decrease in accounts payable and other current liabilities	(88,381)
Decrease in claims payable	(1,701,487)
Decrease in accrued salaries, and wages and benefits payable	<u>(10,706)</u>
Total adjustments	<u>(768,874)</u>
Net cash from operating activities	<u>\$ 1,629,438</u>

The notes to the basic financial statements are an integral part of this financial statement.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

School District No. 1J, Multnomah County, Oregon, known as Portland Public Schools or the District, is governed by a seven-member elected board. The District is the special-purpose primary government exercising financial accountability for all public K-12 education within its boundaries. As required by generally accepted accounting principles, the accompanying financial statements present all significant activities and organizations of the District. The District reports no component units, nor is the District a component unit of any other entity, and specifically has no relationship or connection with Multnomah County, Oregon.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the governing body and establishes governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the District. The District does not report any fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements except that interfund services provided and used are not eliminated in the process of consolidation.

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

Separate financial statements are provided for governmental funds and the Self-Insurance Fund, an internal service fund (Proprietary Fund). The Self-Insurance Fund is included in the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. In the internal service fund, all revenues and expenses except interest earnings, are considered to be related to operations.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and expenditures related to compensated absences are recorded only when payment is due.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Property taxes and grant reimbursements are considered to be susceptible to accrual, if received in cash by the District or a County collecting such taxes within 60 days after year-end. All other revenue items are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current fiscal year or soon thereafter.

The District reports the following major governmental funds:

General – Accounts for the general operations of the District. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund's resources are available to the District for any purpose provided they are expended or transferred according to a resolution of the District and/or the general laws of Oregon.

Grant – Accounts for revenues and expenditures of grants restricted for specific projects. Principal revenue sources are federal and state grants.

PERS Rate Stabilization Reserve – Accounts for the reserves needed to help minimize large fluctuations in the PERS rate assessed on salaries and wages to repay the PERS unfunded actuarial liability.

Additionally, the District reports the following internal service fund:

Self-Insurance – Accounts for all costs incurred for claims arising from workers' compensation, general liabilities, and property and fire losses. The primary resources are charges to other funds and investment earnings. The activity and balances of this fund are included in the governmental activities in the government-wide financial statements. All revenues except for investment revenue are considered operating revenue. Operating expenses include salaries, benefits, materials, premium costs, claims, and other normal costs related to general operations.

The District reports the following non-major governmental funds:

Special Revenue Funds – funds that are used to account for certain revenues that are restricted to expenditures for designated purposes.

Debt Service Funds – funds used to account for the accumulation of financial resources for the payment of long-term debt principal, interest, and related costs.

Capital Projects Funds – funds used to account for financial resources to be used for the acquisition of technology or construction or renovation of major capital facilities.

B. Appropriations and Budgetary Controls

The District prepares a budget for all funds in accordance with the modified accrual basis of accounting, with certain adjustments, and legal requirements set forth in Local Budget Law.

Consistent with Local Budget Law, expenditures are appropriated by fund for each legally adopted annual operating budget at the following levels of control, as appropriate:

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

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Capital outlay expenditures are appropriated within the instruction and supporting services levels of control. Debt service expenditures in the General Fund are appropriated within the supporting services level of control. For reporting purposes debt service expenditures, except those in the General Fund, are segregated from the supporting services budgetary control levels and are presented in the debt service expenditures category.

After the original budget is adopted, the Board of Education may approve appropriation transfers between the levels of control without limitation. Supplemental appropriations may be approved by the Board of Education if any occurrence, condition, or need exists which had not been anticipated at the time the budget was adopted. An appropriations transfer, that alters estimated total expenditures by less than 10% of any individual fund, may be adopted at the regular meeting of the Board of Education. For conditions that require either supplemental appropriations or an increase in expenditures greater than 10% of an individual fund, a supplemental budget must be adopted, requiring public hearings, publications in newspapers and approval by the Board of Education. Supplemental budgets are submitted, reviewed and certified, similar to the original budget, by the Multnomah County Tax Supervising and Conservation Commission subsequent to approval by the Board of Education. Appropriations lapse at the end of each fiscal year. The District had one supplemental budget and two appropriation transfers during the year.

C. Encumbrances

During the year encumbrances are recorded in the accounting records when purchase orders are issued. The use of encumbrances indicates to District employees that appropriations are committed, however, all encumbrances expire at year-end.

D. Cash and Cash Equivalents and Investments

For the purpose of the cash flow statement, the Statement of Net Assets and the Balance Sheet, the District's monies in the Oregon Local Government Investment Pool, savings deposits, demand deposits and cash with county treasurer are considered to be cash and cash equivalents. Investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Other investments are stated at amortized cost, which approximates fair value.

E. Property Taxes

Uncollected real and personal property taxes are reflected on the Statement of Net Assets and the Balance Sheet as receivables. 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.

F. Inventories and Prepaid Items

School operating supplies, maintenance supplies, and food and other cafeteria supplies are stated at average invoice cost. Commodities purchased from the United States Department of Agriculture are included in the District's inventories at USDA wholesale value. The District accounts for the inventory based on the consumption method. Under the consumption method inventory is recorded when purchased and expenditures/expenses are recorded when inventory items are used. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused donated commodities at year-end is immaterial. Prepaid assets are recognized as expenses/expenditures when their use benefits the District.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

G. Capital Assets

Expenditures for capital assets, which include land, buildings and site improvements, construction in progress, and vehicles and equipment are reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance by function. The District defines capital assets as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are completed. When the District determines that an asset has been impaired as defined by GASB 42 it adjusts the asset value.

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

<u>Asset</u>	<u>Years</u>
Buildings	100
Site improvements	5 to 25
Equipment	5 to 15
Vehicles	5 to 8

H. Grant Accounting

Unreimbursed expenditures due from grantor agencies are recorded in the financial statements as accounts receivable and revenues. Cash received from grantor agencies in excess of related grant expenditures is reflected as unearned/deferred revenue on the Statement of Net Assets and the Balance Sheet.

I. Self-insurance

The District operates the Self-Insurance Fund to account for the costs of workers' compensation claims, general liability claims, property and fire loss claims, and the payment of premiums. Charges to other funds are recognized as revenues and as expenditures in the fund incurring the charges.

The District recognizes the liabilities for estimated losses to be incurred from pending claims and for claims incurred but not reported (IBNR). The IBNR claims are estimates of claims that are incurred through the end of the fiscal year but have not yet been reported. These liabilities are based on actuarial valuations.

The District is self-insured for costs up to policy deductible limits as follows:

	<u>Self-insured Retention</u>	<u>Excess Coverage per Occurrence</u>
General and Automobile Claims	\$ 1,000,000	\$ 5,000,000
Property and Fire Claims	1,000,000	75,000,000
Earthquake Claims	1,000,000	50,000,000
Flood Claims	1,000,000	75,000,000
Workers' Compensation Claims	1,000,000	25,000,000

The District has not exceeded the claims limitation on its insurance policies for the last five years.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2007

J. Compensated Absences

Classified and hourly employees earn annual vacation leave at a rate of 10 days for one to five years of service and one additional day for each additional year of service up to a maximum of 22 days per year. Administrators earn 22 days of annual vacation leave. Employees are allowed to carry over their maximum yearly earned balances from one fiscal year to another. All outstanding vacation leave is payable upon resignation, retirement, or death. Compensated absences are not reported as liabilities in the governmental funds because they have not "matured," meaning they are not yet payable to the employee.

Vested compensated absences include accrued vacation and salary related payments. The amounts expected to be liquidated with expendable available financial resources are recognized as an expenditure.

Sick leave accumulates at the rate of eight hours per month without a limit on the total hours that can be accumulated. Accumulated sick leave does not vest and is forfeited at resignation, retirement or death. Sick leave is recorded as an expense/expenditure when leave is taken and no liability is recorded.

K. Receivables and Payables

Receivables expected to be collected within sixty days following year-end are considered measurable and available and are recognized as revenues in the fund financial statements. Other receivables, except grants, are offset by unearned revenues and, accordingly, have not been recorded as revenue. Receivables, net of any allowance for doubtful accounts, are recorded on the Statement of Net Assets.

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" in the fund financial statements, and is eliminated in the government-wide statements.

L. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations including claims are reported as liabilities. 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 applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs as incurred. 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.

M. Retirement Plans

Most of the District employees participate in Oregon's Public Employees Retirement System (Oregon PERS). Oregon PERS requires plan contributions on a current basis. Contributions are made on a current basis as required by the plan and are recorded as expense/expenditures.

In addition, certificated employees with fifteen consecutive years of service with the District and who have attained age 55 or 30 years of service with the District are eligible for early retirement benefits. All employees with a minimum of fifteen consecutive years of service who are age 55 or older upon retirement are eligible for health and welfare benefits.

The District provides tax-deferred annuity contracts established under Section 403(b) of the Internal Revenue Code. Participation in the program is voluntary. Contributions are made from salary deductions

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

from participating employees within the limits specified in the Code.

N. Net Assets

Net assets represent the difference between the District's total assets and total liabilities. Net assets invested in capital assets, net of related debt, represents capital assets less accumulated depreciation and outstanding principal of capital asset related debt.

O. Management Estimates

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

NOTE 2- BUDGETARY BASIS OF ACCOUNTING

The District reports financial position, results of operations, and changes in fund balance/net assets/retained earnings on the basis of generally accepted accounting principles (GAAP). The budgetary statements provided as part of required or other supplementary information are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NOTE 3 - STATE CONSTITUTIONAL PROPERTY TAX LIMITS

The State of Oregon has a constitutional limit on property taxes for schools and non-school government operations. Under the provisions of the limitation, tax revenues are separated into those for the public school system and those for local government operations other than the public school system. Property taxes levied for the payment of bonded indebtedness are exempt from the limitation, provided such bonds are either authorized by a specific provision of the Oregon Constitution or approved by the voters of the District for capital construction or improvements.

The District's permanent tax rate for the year ended June 30, 2007 was \$5.2781 per \$1,000 of assessed value.

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits with financial institutions include bank demand deposits, deposits in the local government investment pool, time certificates of deposits, and savings account deposits as authorized by Oregon statutes.

The cash, cash equivalents and investments, are comprised of the following:

Cash and cash equivalents held by fiscal agents	\$ 1,507,582
Cash equivalents held in trust	643,638
Oregon Local Government Investment Pool	9,345,894
Demand accounts	41,617,675
Petty cash	<u>6,216</u>
Total cash and cash equivalents	53,121,005
US Government agency securities	42,297,293
Commercial paper	<u>15,646,579</u>
Total cash, cash equivalents and investments	<u>\$ 111,064,877</u>

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Statement of Net Assets is classified as follows:

Cash and cash equivalents	\$ 50,969,785
Cash and cash equivalents held by fiscal agents	1,507,582
Cash equivalents held in trust	643,638
Investments	<u>57,943,872</u>
Total cash, cash equivalents and investments	<u>\$ 111,064,877</u>

A. Investments

Generally accepted accounting principles require investments with a remaining maturity of more than one year at the time of purchase to be stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Investments with maturities of less than one year are carried at amortized cost.

Investments in the Oregon Local Government Investment Pool (LGIP) are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn. The LGIP does not report all investments at fair value in accordance with the provisions of GASB Statement No. 31. The LGIP is required by Oregon Revised Statutes (ORS) to compute the fair value of all investments maturing more than 270 days from the date the computation is made. If the fair value totals more than one percent of the balance of the LGIP in terms of unrealized gain or loss, the amount is required to be distributed to the pool participants. Fifty percent of the LGIP portfolio must mature within 93 days. Up to 25% of the LGIP portfolio may mature in over one year and no investment may mature in over three years. At June 30, 2007, the District's share of the amount of unrealized gain reported by the LGIP, in accordance with ORS, was considered immaterial.

The District requires all securities, except for overnight investments used in conjunction with the District's demand deposit account, to be purchased in the District's name and held in third party safekeeping. During the year, the District invested in overnight U.S. government agency securities for which the dealer held the underlying securities.

Included within governmental and agency obligations is \$8,741,292 held by a financial institution in conjunction with the District lease of a school facility (See Note 16).

The Oregon Local Government Investment Pool is unrated. Other investments held at June 30, 2007 are categorized by rating as follows:

	Ratings		Total	Weighted Average Maturity (Years)
	Moody's	S&P		
	Aaa	P1		
Government and agency obligations	\$ 42,297,293	\$ -	\$ 42,297,293	0.273
Corporate commercial paper	-	15,646,579	15,646,579	0.395
Total investments	<u>\$ 42,297,293</u>	<u>\$ 15,646,579</u>	<u>\$ 57,943,872</u>	

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2007

Interest rate risk

In accordance with its investment policy, the District manages its exposure to declines in fair value of its investments by structuring the investment portfolio, so that securities mature to meet ongoing operations.

Credit risk

Oregon Revised Statutes authorize school districts to invest in obligations of the U.S. Treasury, agencies and instrumentalities of the United States, commercial paper, bankers' acceptances guaranteed by a qualified financial institution, repurchase agreements, interest bearing bonds of any city, county, port or school district in Oregon (subject to specific standards), and the LGIP, among others. The Board of Education has adopted an investment policy for the District, which complies with state statutes. The District's investments in U.S. government securities are not required to be rated. Standard and Poor's, and P1 by Moody's Investors Service rate investments in US government agency securities Aaa.

Concentration of credit risk-investments

In accordance with GASB 40, the District is required to report all individual non-federal investments, which exceed 5% of total invested funds. Following is a listing of the holdings in excess of 5%.

	Value	
	<u>June 30, 2007</u>	<u>Percentage</u>
Cooperative Association Tractor Dealer	\$ 3,937,840	5.9%
General Electric Cap Corp Discount	6,855,961	10.2
Societe Generale North Discount	4,852,778	7.2

Custodial risk- deposits

Oregon laws require governmental deposits made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager, which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the District. This does not constitute full collateral of deposits, but meets Oregon legal requirements. At June 30, 2007, the carrying amount of the District's balance was \$42,267,528 and the bank balance was \$45,008,102. Of the bank balance, \$300,000 was covered by federal depository insurance, certificates of collateral were available up to \$31,250,000, and \$13,458,102 was uninsured and uncollateralized.

Custodial credit risk-investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The District's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2007

Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

NOTE 5 – RECEIVABLES

Receivables as of year-end are summarized as follows:

	Fund Type			Total
	General Fund	Grant Fund	Other Governmental Funds	
Receivables:				
Taxes	\$ 7,495,237	\$ -	\$ 271,009	\$ 7,766,246
Interest	394,324	-	8,295	402,619
Accounts	31,070,284	-	1,772,573	32,842,857
Federal, state and local grants	-	10,196,841	-	10,196,841
Advances to employees	173,145	-	-	173,145
Accounts and other receivables	31,637,753	10,196,841	1,780,868	43,615,462
Total receivables	<u>\$ 39,132,990</u>	<u>\$ 10,196,841</u>	<u>\$ 2,051,877</u>	<u>\$ 51,381,708</u>

NOTE 6 – NOTE RECEIVABLE

The District sold the broadcast license and certain insignificant capital assets of the public broadcasting FM station operated by the District to a not-for-profit foundation that will continue to operate the station. The terms of the sale included a down payment of \$750,000 and principal payments as detailed below. Interest accrues at 5% for four years (until December 15, 2007) and 2% over the prime rate for the next six years. During the year the District received a payment of \$1,000,000. The District considers the receivable to be collectable, and, accordingly, no allowance for doubtful accounts is provided. The principal balance of the note (\$2,819,450) is included within the accounts receivable of the General Fund.

Future maturities for the fiscal years ending June 30, are as follows:

	Payments	Interest	Principal reduction/ (addition)
2008	\$ 100,000	\$ 112,005	\$ (12,005)
2009	375,000	198,202	176,798
2010	375,000	185,826	189,174
2011	800,000	172,584	627,416
2012	800,000	128,665	671,335
2013-2014	1,279,792	113,060	1,166,732
Total	<u>\$ 3,729,792</u>	<u>\$ 910,342</u>	<u>\$ 2,819,450</u>

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

NOTE 7 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2007, follows:

Description	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 8,774,770	\$ -	\$ (18,527)	\$ 8,756,243
Construction in progress	1,352,770	1,847,353	(1,013,603)	2,186,520
Total capital assets not being depreciated	<u>10,127,540</u>	<u>1,847,353</u>	<u>(1,032,130)</u>	<u>10,942,763</u>
Capital assets being depreciated:				
Buildings and site improvements	307,332,193	2,630,844	(1,004,159)	308,958,878
Vehicles and equipment	33,761,365	1,084,667	-	34,846,032
Total capital assets being depreciated	<u>341,093,558</u>	<u>3,715,511</u>	<u>(1,004,159)</u>	<u>343,804,910</u>
	<u>351,221,098</u>	<u>5,562,864</u>	<u>(2,036,289)</u>	<u>354,747,673</u>
Less Accumulated depreciation:				
Buildings and site improvements	(130,472,575)	(8,350,058)	359,857	(138,462,776)
Vehicles and equipment	(17,031,068)	(3,368,608)	-	(20,399,676)
Total accumulated depreciation	<u>(147,503,643)</u>	<u>(11,718,666)</u>	<u>359,857</u>	<u>(158,862,452)</u>
Total capital assets	<u>\$ 203,717,455</u>	<u>\$ (6,155,802)</u>	<u>\$ (1,676,432)</u>	<u>\$ 195,885,221</u>

Depreciation expense for governmental activities is charged to the following functions:

Instruction	\$ 8,264,848
Support services	3,332,515
Food services	<u>121,303</u>
	<u>\$ 11,718,666</u>

NOTE 8 – INTERFUND BALANCES

Interfund balances primarily represent cash invested by the General Fund on behalf of Other Governmental Funds. The composition of interfund balances as of June 30, 2007, is as follows:

	Due From	Due To
General Fund	\$ 48,760	\$ 800,000
Other governmental funds	<u>800,000</u>	<u>48,760</u>
Total all funds	<u>\$ 848,760</u>	<u>\$ 848,760</u>

NOTE 9 – ACCOUNTS PAYABLE

In 2002, the District was faced with a \$36 million budget deficit due to reduced state funding. The Employment Relations Board (“ERB”) ruled on June 7, 2002 that the District could legally contract out custodial services. Following that ruling, the District entered into a contract with a qualified rehabilitation facility for custodial services and the District-employed custodians were terminated.

Several lawsuits were filed by and on behalf of the custodians challenging the actions of the District and seeking compensation for the loss of jobs. On October 13, 2005, the Oregon Supreme Court reversed

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2007

the decision by the ERB; a petition of reconsideration was denied on April 26, 2006. The Court held the custodial services had to be performed by the District-employed custodians and, therefore, the District could not contract out for those services.

In August 2006, the District offered to re-employ the custodians who were terminated. Approximately 125 individuals decided to accept reemployment with the District. This reemployment process did not resolve the lawsuits the custodians had filed seeking compensation for the loss of their jobs.

In late fiscal year 2007 the District Board of Education and the custodians announced a tentative settlement under which the District would pay \$14.5 million for custodians' claims for compensation for lost pay, medical benefits, and other damages. Since a portion of the settlement is deemed back wages, the District will also pay approximately \$600,000 for the employer portion of taxes and PERS. The court approved the settlement agreement at the end of July 2007 and the District issued bonds to pay the amount in early October 2007.

The government-wide Statement of Net Assets reflects the District's liability of \$15.1 million.

NOTE 10 - BONDED AND OTHER LONG-TERM DEBT

Changes in long-term debt of the District during fiscal year 2007 were as follows:

	Original Amount	Balance July 1, 2006	Additions	Repayments	Balance June 30, 2007
Limited Tax Pension Bonds:					
Series 2002	\$ 210,103,857	\$ 207,001,225	\$ -	\$ (1,956,150)	\$ 205,045,075
Series 2003	281,170,040	276,231,560	-	(4,860,961)	271,370,599
Pension Debt (See Note 11)	491,273,897	483,232,785	-	(6,817,111)	476,415,674
Limited Tax General Obligation					
Refunding Bonds, Series, 2004	11,900,000	9,625,000	-	(1,205,000)	8,420,000
Certificates of Participation (COP), Series 1999	43,295,000	14,880,000	-	(4,750,000)	10,130,000
Refunding Special Obligations,					
1993 Series A	13,525,000	1,385,000	-	(1,385,000)	-
Small Scale Energy Loan Programs	5,615,430	4,295,442	-	(699,224)	3,596,218
Notes Payable	2,125,000	-	2,125,000	-	2,125,000
Other debt	76,460,430	30,185,442	2,125,000	(8,039,224)	24,271,218
Total	\$ 567,734,327	\$ 513,418,227	\$ 2,125,000	\$ (14,856,335)	\$ 500,686,892

Limited Tax Pension Bonds

In October 2002 Portland Public Schools participated as one of forty-one Oregon school districts and education service districts in issuing limited tax pension bonds. The proceeds were used to finance a portion of the estimated unfunded actuarial liability of each participating school district with the Oregon Public Employees Retirement System ("Oregon PERS"). The Oregon School Boards Association ("OSBA") sponsored this pooled limited tax pension bond program. The OSBA does not have a financial obligation in connection with the bonds issued under the program. Except for the payment of its pension bond payments and additional charges when due, each participating school district has no obligation or liability to any other participating school district's pension bonds or liabilities to Oregon PERS. In April

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

2003, OSBA sponsored another pooled limited tax pension bond program with thirty school districts and education service districts. The District recorded the proceeds of the debt to Oregon PERS as prepaid pension costs and amortizes it as a pension expense over the life of the bonds. Payment of yearly principal and interest is recorded as an expenditure in the financial statements as instruction and support services. The District anticipates the total costs of financing the District's actuarial obligation in this manner will result in a significant savings to the District when compared to paying for such costs as additional contribution rates to Oregon PERS.

The District issued \$210,103,857 Limited Tax Pension Bonds, Series 2002 (Federally Taxable), of which \$53,523,857 are Series 2002A (deferred interest bonds) and \$156,580,000 are Series 2002B (current interest bonds). The 2002 series Limited Tax Pensions Bonds were issued on October 31, 2002, and are payable annually through June 2028. Interest on the deferred interest bonds is accreted semiannually at yields ranging from 2.06% to 6.10%. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.48% to 5.55%. The Series 2002A Bonds are not subject to optional prepayment prior to maturity. The Series 2002B Bonds maturing June 30, 2021, shall be subject to prepayment from pension prepayments on or after June 30, 2007, and those due June 30, 2028 are subject to mandatory prepayment prior to its stated maturity, in whole or part, on any June 30 on or after June 30, 2024.

The District issued \$281,170,040 Limited Tax Pension Bonds, Series 2003 (Federally Taxable), of which \$124,800,040 are Series 2003A (deferred interest bonds) and \$156,370,000 are Series 2003B (current interest bonds). The Series 2003 Limited Tax Pensions Bonds were issued on April 30, 2003, and are payable annually through June 2028. Interest on the deferred interest bonds is accreted semiannually at yields ranging from 1.50% to 6.27%. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.45% to 5.68%. The bonds are federally taxable and are not subject to optional prepayment prior to their stated maturities.

Other Long Term Debt

In fiscal year 2004 the 1998 series refunding bonds were advance refunded, with proceeds of the Limited Tax General Obligation Refunding Bonds, Series 2004. The 2004 series refunding bonds are payable annually through June 15, 2013. Interest is payable semi-annually at rates ranging from 2.190% to 5.518%. The bonds are federally taxable and are not subject to redemption prior to their stated maturities.

The 1999 series Certificates of Participation (COP) are payable annually through June 2009. Interest is payable semi-annually at rates ranging from 3.29% to 5.25%. The certificates of participation are not subject to redemption prior to their stated maturities.

The District borrowed from the Oregon Department of Energy Small Scale Energy Loan Program (SELP) in several increments beginning in 1993 at various interest rates. The obligations are payable monthly by the General Fund. The payment amounts are based on anticipated savings related to retrofitting and other energy conservation measures implemented with the proceeds of the loans. Such loans are not collateralized.

In 2000, the District sold Qualified Zone Academy Bonds, Series 2000, with a face amount of \$6,052,477, and net proceeds of \$5,922,379 (after payment of underwriting and other issuance costs). Simultaneous to this transaction, the District purchased U.S. Treasury "Strip" obligations which will mature in thirteen years in the amount of \$6,052,477 with a cost of \$2,759,464, and placed these investments in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the Qualified Zone Academy Bonds, Series 2000, are considered to be defeased and the liability for those bonds is not included in the financial statements.

Federal arbitrage restrictions apply to substantially all debt. Any liabilities to the federal government are accrued and paid semi-annually.

The General Fund accounts for the debt service payments on the District's State of Oregon Small Scale

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Energy Loan (SELP). The other long-term debt payments are made from the debt service funds.

The General Fund accounts for the debt with KeyBank to finance the demolition of the Whitaker Adams building and the restoration of the land. The loan payments are payable semi-annually on January 15 and July 15 commencing July 15, 2007, and ending January 15, 2011. Interest is payable semi-annually at rate of 4.02%.

Currently the District has a standby Letter of Credit with KeyBank in the amount of \$1.9 million that is used for self-insurance certification pursuant to Oregon Administrative Rule 436-050-0180(3).

The following is a summary of the future annual debt service requirements for long-term obligations.

Fiscal Year	Limited Tax Pension and Refunding Bonds	Certificates of Participation	Notes Payable	SELP Loans	Total
Principal:					
2008	\$ 9,502,172	\$ 4,955,000	\$ 47,235	\$ 734,456	\$ 15,238,863
2009	9,711,957	5,175,000	41,891	768,203	15,697,051
2010	10,991,375	-	43,592	723,433	11,758,400
2011	11,058,547	-	1,992,282	693,575	13,744,404
2012	12,334,085	-	-	351,344	12,685,429
2013-2017	59,388,544	-	-	325,207	59,713,751
2018-2022	81,262,706	-	-	-	81,262,706
2023-2027	257,326,288	-	-	-	257,326,288
2028	33,260,000	-	-	-	33,260,000
Principal Total	<u>484,835,674</u>	<u>10,130,000</u>	<u>2,125,000</u>	<u>3,596,218</u>	<u>500,686,892</u>
Interest:					
2008	19,770,332	489,708	77,765	148,096	20,485,901
2009	20,428,159	271,688	83,109	114,348	20,897,304
2010	21,549,637	-	81,408	80,261	21,711,306
2011	22,420,635	-	79,640	49,451	22,549,726
2012	24,006,495	-	-	25,492	24,031,987
2013-2017	144,365,273	-	-	26,705	144,391,978
2018-2022	179,533,922	-	-	-	179,533,922
2023-2027	76,428,198	-	-	-	76,428,198
2028	1,872,282	-	-	-	1,872,282
Interest Total	<u>510,374,933</u>	<u>761,396</u>	<u>321,922</u>	<u>444,353</u>	<u>511,902,604</u>
Total Debt Service	<u>\$ 995,210,607</u>	<u>\$ 10,891,396</u>	<u>\$ 2,446,922</u>	<u>\$ 4,040,571</u>	<u>\$ 1,012,589,496</u>

NOTE 11 – INTERFUND TRANSFERS

The District made transfers from the General Fund of \$8,569,140 to Debt Service Funds to fund bond payments. The PERS Rate Stabilization Fund transferred \$2,000,000 to the General Fund for operations.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

The composition of interfund transfers as of June 30, 2007, is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 2,000,000	\$ 8,586,112
PERS Rate Stabilization Reserve Fund	-	2,000,000
Non-major governmental funds	8,703,806	117,694
Total all funds	<u>\$ 10,703,806</u>	<u>\$ 10,703,806</u>

NOTE 12- PENSION PLANS

A. Oregon Public Employees Retirement System (Oregon PERS)

Plan Description. The District contributes to two pension plans administered by the State of Oregon Public Employees Retirement System (Oregon PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: the Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all Oregon PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. Oregon PERS members retain their existing Oregon PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's Oregon PERS account.

Both Oregon PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of Oregon PERS. Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Oregon PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

Funding Policy. Members of Oregon PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The District is required to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2007, were 0.0% and 1.0% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost. The District's contributions to Oregon PERS for the years ending June 30 are shown below and are equal to the required contribution for the year. During 2002-03, the District issued limited tax pension bonds, the proceeds of which were used to finance a portion of its estimated unfunded actuarial liability. (See Note 10). For the year ended June 30, 2007, the District's annual debt service for the limited tax pension bonds included \$6.8 million of principal, and \$18.6 million of interest.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Annual pension expense/expenditures for the fiscal years ended June 30:

	Required contribution to Oregon PERS	Annual Debt Service	Total Oregon PERS Pension Cost
2005	\$2,500,339	\$18,643,323	\$21,143,662
2006	1,955,208	24,608,323	26,563,531
2007	-	25,408,323	25,408,323

B. Early Retirement Benefits

Plan Description. The District provides a single-employer defined benefit early retirement program for its certificated employees that were established under separate collective bargaining agreements with certificated employees. Certificated employees who are at least 55 years of age with 15 consecutive years of service with the District or at any age with 30 years of service and who retire before age 62 are eligible for the early retirement benefits. Eligible employees are entitled to a monthly benefit of \$425 to \$475 commencing on the first month after the retirement. Benefits are payable up to the earlier of attaining age 62 or receiving 60 monthly payments. All financial information relating to the early retirement benefits is reported in the General Fund. The District does not issue a stand-alone financial report for this plan.

Funding Policy. The District pays for the benefits without any cost to employees. The contributions are financed on a pay-as-you-go basis. Because of this policy, no liability has been recorded for early retirement. During fiscal year 2007, the expenses/expenditures of approximately \$3.8 million were recognized.

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The District provides a post retirement health and welfare benefits program for employees who have retired from the District with a minimum of fifteen consecutive years of service or with completion of 30 years of service. Covered employees under the plan are eligible to receive District-paid benefits for up to 60 months or until reaching the age 65, whichever comes first. The District also pays for one-half of the dependent benefit costs during the benefit period. The program was established under separate collective bargaining agreements with certificated and classified employees and by precedent for all other District employees.

Funding Policy. The District pays for the benefits without any cost to employees. The contributions are financed on a pay-as-you-go basis. During fiscal year 2007 the District recognized expenditures of approximately \$3.8 million for the post-employment healthcare benefits.

NOTE 14 - RISK MANAGEMENT

The Internal Service (Self-Insurance) Fund charges other funds for the costs incurred for workers' compensation claims, general liability claims, and property and fire loss claims. Charges to other funds by the Self-Insurance Fund are recognized as revenues in the Self-Insurance Fund and as expenditures/expenses in the fund incurring the charges.

The Self-Insurance Fund recognized \$5,088,308 of revenues from other governmental funds for the year ended June 30, 2007.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

Approximately \$2.7 million of the claims payable total is considered current liabilities and the balance long-term liabilities. Changes in the balances of claims liabilities during the years ended June 30, 2005, through June 30, 2007, were as follows:

Fiscal Year	Beginning Balance	New Claims	Payments on Claims	Ending Balance
2005	\$ 4,813,872	\$ 3,401,045	\$ 3,344,956	\$ 4,869,961
2006	4,869,961	4,129,424	3,309,224	5,690,161
2007	5,690,161	2,028,418	3,729,905	3,988,674

NOTE 15– COMPLIANCE AND ACCOUNTABILITY

The following budgetary control categories had expenditures in excess of appropriations for the year ended June 30, 2007.

Fund/Function	Appropriations	Expenditures	Excess
General Fund			
Facilities acquisition & construction	\$ 3,000,000	\$ 4,691,487	\$ (1,691,487)
Grant Fund			
Instruction	41,753,667	42,583,633	(829,966)

** The following fund had a negative fund balance at June 30, 2007:

BESC Cafeteria Fund	\$ 55,445
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NOTE 16– COMMITMENTS AND CONTINGENCIES

Under Oregon law, should funding not be available, the following commitments may be cancelled without penalty.

Contracts. The District has a contract to provide duplication services to various District facilities, which requires a minimum payment of approximately \$1.3 million for the year ending June 30, 2008.

The District has a contract with Laidlaw Educational Services (LES) to provide student transportation services through June 2012 for \$10 million per year.

Rosa Parks Elementary School. Rosa Parks Elementary School is the first new school built by the District since 1998, and is located in the New Columbia neighborhood of north Portland. Rosa Parks replaced Ball Elementary School and opened its doors to students in September 2006. The school is owned by New Columbia Community Campus Corporation (“N4C”). The District made the following commitments related to this new school:

- To lease the school for thirty years through October 20, 2035. The lease payments will be \$42,024 per month from October 2007 through October 2014. These lease payments are lower than they would be otherwise, as long as the District holds \$8.8 million in an investment account at a designated financial institution. The lease contains an option provision for the District to buy the building in June 2012 for \$8.8 million. Should the District not elect to purchase the building at that time, lease payments will increase to \$72,000 per month for the remaining lease term.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2007

- To abide by the terms of a Joint Use Agreement with the Portland Parks Bureau and the Boys and Girls Club.
- To participate in a Shared Use Agreement with the Boys and Girls Club for the portion of the school that is designated "shared space," which includes the cafeteria, computer lab, music, and art rooms.
- To repay up to 50% of the bridge loan obtained by Housing Authority of Portland (HAP), in the unlikely event that fundraising efforts fell short of generating the funds necessary to pay off the bridge loan in conjunction with the financing agreement with N4C. As of June 30, 2007, HAP had repaid the bridge loan with fundraising proceeds.

Pending Legal Actions. The District is a defendant in certain pending legal actions. Although the outcome cannot be determined, we believe that settlement of these matters will not have a material effect on the District's financial position and results of operations.

NOTE 17 – SUBSEQUENT EVENTS

Custodians. In October 2007 the District issued Full Faith and Credit Bonds, Series 2007, pursuant to the terms and provisions of Oregon Revised Statutes 288.805 to 288.945, inclusive (Uniform Revenue Bond Act). \$10,010,000 are Series 2007A (Tax-Exempt) and \$5,080,000 are Series 2007B (Federally Taxable). The proceeds from the sale of the Bonds were used to finance a settlement with custodial employees and to pay the costs of issuance of the Bonds. See Note 9 for an explanation of the settlement. Series 2007A are payable annually beginning in 2010 through 2012. Interest is payable semi-annually at rates yielding from 3.50% to 3.59%. Series 2007B are payable annually in 2013 and 2014. Interest is payable semi-annually at rates ranging from 5.272% to 5.360%. The Bonds are not subject to redemption prior to their stated maturities.

Five-Year Serial Levy. The voters approved a five-year local option property tax levy for operations on November 7, 2006. The assessment of \$1.25 per \$1,000 of assessed value will begin in the 2007-2008 school year. The local option levy will generate from \$33 million to \$38 million per year, of which \$4 million is committed to textbooks and curriculum materials and the remainder is committed to paying for teachers. The Citizen Budget Review Committee (CBRC) will provide citizen oversight to hold the District accountable to using local option property tax proceeds as promised to the voters.

REQUIRED SUPPLEMENTARY INFORMATION

The budgetary basis of accounting for all funds is modified accrual, which is the same as that required by generally accepted accounting principles. Accordingly, no reconciliation of budgetary to generally accepted accounting principles activity is required.

This information compares budget to actual for the District's major funds.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

General Fund

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**

For the year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property and other taxes	\$ 164,119,630	\$ 164,119,630	\$ 166,127,100	\$ 2,007,470
State School Fund	161,679,142	161,679,142	164,182,040	2,502,898
Local option taxes	300,000	300,000	199,605	(100,395)
County and intermediate sources	30,736,328	30,736,328	27,186,065	(3,550,263)
State Common School Fund	3,662,094	3,662,094	4,315,601	653,507
Charges for services	3,360,000	3,360,000	3,940,291	580,291
Investment earnings	4,000,000	4,000,000	7,461,871	3,461,871
Other	4,598,706	4,598,706	6,304,515	1,705,809
Total revenues	372,455,900	372,455,900	379,717,088	7,261,188
EXPENDITURES				
Current operating:				
Instruction:				
Regular programs:				
Salaries and benefits	152,803,517	154,429,854	154,790,334	(360,480)
Materials and services	5,912,489	7,086,566	5,697,058	1,389,508
Total regular programs	158,716,006	161,516,420	160,487,392	1,029,028
Special programs:				
Salaries and benefits	50,216,319	47,501,033	46,888,588	612,445
Materials and services	16,056,425	15,971,297	13,922,021	2,049,276
Total special programs	66,272,744	63,472,330	60,810,609	2,661,721
Summer School Programs				
Salaries and benefits	-	-	18,747	(18,747)
Materials and services	-	-	30,535	(30,535)
Total Summer School programs	-	-	49,282	(49,282)
Total instruction	224,988,750	224,988,750	221,347,283	3,641,467
Support services:				
Students:				
Salaries and benefits	27,549,254	27,954,258	27,259,949	694,309
Materials and services	2,162,818	1,611,317	2,607,222	(995,905)
Total students	29,712,072	29,565,575	29,867,171	(301,596)
Instructional staff:				
Salaries and benefits	8,023,411	8,396,210	8,195,586	200,624
Materials and services	6,878,376	6,575,905	1,479,840	5,096,065
Total instructional staff	14,901,787	14,972,115	9,675,426	5,296,689
General administration:				
Salaries and benefits	2,946,821	2,720,488	2,559,588	160,900
Materials and services	1,463,300	1,687,655	2,059,482	(371,827)
Total general administration	4,410,121	4,408,143	4,619,070	(210,927)
School administration:				
Salaries and benefits	27,134,032	27,307,366	28,206,887	(899,521)
Materials and services	617,014	884,422	514,134	370,288
Total school administration	27,751,046	28,191,788	28,721,021	(529,233)

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
For the year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support services (continued):				
Business:				
Salaries and benefits	\$ 18,026,965	\$ 28,653,516	\$ 23,546,573	\$ 5,106,943
Materials and services	37,036,512	32,525,545	38,143,643	(5,618,098)
Total business	55,063,477	61,179,061	61,690,216	(511,155)
Central:				
Salaries and benefits	10,745,026	11,075,489	9,973,401	1,102,088
Materials and services	5,069,520	5,086,283	7,597,079	(2,510,796)
Total Central Services	15,814,546	16,161,772	17,570,480	(1,408,708)
Total Support Services	147,653,049	154,478,454	152,143,384	2,335,070
Facilities acquisition & construction:				
Salaries and benefits	-	-	146,188	(146,188)
Materials and services	3,000,000	3,000,000	4,545,299	(1,545,299)
Total facilities acquisition & construction	3,000,000	3,000,000	4,691,487	(1,691,487)
Other expenditures:				
Debt Service				
Principal	634,050	702,226	699,226	3,000
Interest	261,103	192,927	183,326	9,601
Total debt service	895,153	895,153	882,552	12,601
Total current expenditures	376,536,952	383,362,357	379,064,706	4,297,651
Operating contingency	19,684,808	12,859,403	-	12,859,403
Total expenditures	396,221,760	396,221,760	379,064,706	17,157,054
Excess of revenues over (under) expenditures	(23,765,860)	(23,765,860)	652,382	24,418,242
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000,000	2,000,000	2,000,000	-
Transfers out	(8,734,140)	(8,734,140)	(8,586,112)	148,028
Proceeds from the sale of capital assets	100,000	100,000	1,796,989	1,696,989
Proceeds from debt	-	-	2,125,000	2,125,000
Total other financing sources and (uses)	(6,634,140)	(6,634,140)	(2,664,123)	3,970,017
Net change in fund balance	(30,400,000)	(30,400,000)	(2,011,741)	28,388,259
Fund balance - beginning of year	30,400,000	30,400,000	43,235,343	12,835,343
Fund balance - end of year	\$ -	\$ -	\$ 41,223,602	\$ 41,223,602

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Grant Fund

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
County and intermediate sources	\$ 806,152	\$ 806,153	\$ 1,425,564	\$ 619,411
Federal and state support	68,948,263	68,948,262	68,790,616	(157,646)
Others	4,375,860	4,375,860	3,452,399	(923,461)
Total revenues	74,130,275	74,130,275	73,668,579	(461,696)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	14,876,742	17,074,679	17,671,700	(597,021)
Materials and services	5,428,559	3,230,622	3,092,397	138,225
Total regular programs	20,305,301	20,305,301	20,764,097	(458,796)
Special programs:				
Salaries and benefits	13,824,774	14,999,344	15,802,908	(803,564)
Materials and services	7,622,017	6,355,278	5,873,132	482,146
Total special programs	21,446,791	21,354,622	21,676,040	(321,418)
Summer school programs:				
Salaries and benefits	161	90,127	129,173	(39,046)
Materials and services	1,414	3,617	14,323	(10,706)
Total summer school programs	1,575	93,744	143,496	(49,752)
Total instruction	41,753,667	41,753,667	42,583,633	(829,966)
Support Services:				
Students:				
Salaries and benefits	5,631,492	6,403,199	6,723,796	(320,597)
Materials and services	2,205,165	3,250,865	3,023,733	227,132
Total students	7,836,657	9,654,064	9,747,529	(93,465)
Instructional staff:				
Salaries and benefits	5,433,665	7,808,509	8,227,031	(418,522)
Materials and services	11,722,986	7,184,542	6,241,051	943,491
Total instructional staff	17,156,651	14,993,051	14,468,082	524,969
General administration:				
Salaries and benefits	74,088	76,498	-	76,498
Materials and services	3,481,446	1,775,542	93,396	1,682,146
Total school administration	3,555,534	1,852,040	93,396	1,758,644
School administration:				
Salaries and benefits	816,990	1,177,441	1,294,609	(117,168)
Materials and services	339,452	993,406	935,675	57,731
Total school administration	1,156,442	2,170,847	2,230,284	(59,437)
Business:				
Salaries and benefits	-	-	353	(353)
Materials and services	3,500	36,375	(16,682)	53,057
Total business	3,500	36,375	(16,329)	52,704

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Grant Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
Support Services (continued):				
Central:				
Salaries and benefits	\$ 187,737	\$ 428,732	\$ 565,653	\$ (136,921)
Materials and services	1,100,620	1,305,519	2,074,378	(768,859)
Total central	<u>1,288,357</u>	<u>1,734,251</u>	<u>2,640,031</u>	<u>(905,780)</u>
Total support services	<u>30,997,141</u>	<u>30,440,628</u>	<u>29,162,993</u>	<u>1,277,635</u>
Enterprise and Community Services:				
Food Services:				
Materials and services	300,000	397,366	417,110	(19,744)
Community Services:				
Salaries and benefits	727,109	887,790	896,617	(8,827)
Materials and services	352,358	650,824	608,226	42,598
Total community services	<u>1,079,467</u>	<u>1,538,614</u>	<u>1,504,843</u>	<u>33,771</u>
Total enterprise and community services	<u>1,379,467</u>	<u>1,935,980</u>	<u>1,921,953</u>	<u>14,027</u>
Total current expenditures	<u>74,130,275</u>	<u>74,130,275</u>	<u>73,668,579</u>	<u>461,696</u>
Excess of revenues over expenditures and	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
PERS Rate Stabilization Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
OTHER FINANCING USES				
Transfers out	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ -
Fund balance - beginning of year	18,800,000	18,800,000	18,800,000	-
Fund balance - end of year	\$ 16,800,000	\$ 16,800,000	\$ 16,800,000	\$ -

Note: Bolded lines indicate legally required appropriation budget levels of control

COMBINING STATEMENTS

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for certain revenues that are restricted to expenditures for designated purposes.

Student Body Activity

Accounts for the receipts and disbursements of funds by schools for each school's activities. Principal revenue sources are donations, fund raisers, individual support from PTA's and booster clubs, sales in student stores, and club dues.

Cafeteria

Accounts for revenues and expenditures of the District's food service programs. Principal revenue sources are cash sales and federal subsidies under the National School Lunch and Breakfast Programs.

Special Revenue

Accounts for revenues and expenditures of special revenue restricted for specific projects. Principal revenue sources are donations, state grants, foundations, and charges to participants.

BESC Cafeteria

Accounts for the operations of the employee cafeteria in the Blanchard Education Service Center. The primary source of revenues is the sale of meals.

Debt Service Funds

Debt service funds are used to account for the accumulation of financial resources for the payment of long-term debt principal, interest, and related costs.

System Project Debt Service

Accounts for the debt service payments for the 1999 Certificates of Participation. The certificates were issued to finance the implementation process and purchase of equipment upgrades relating to the computer systems used for financial and student information as well as for instructional applications in the classroom. The principal funding source is operating transfers from the General Fund.

Blanchard Education Service Center (BESC) Special Obligation Debt Service

Accounts for the debt service payments for the 1993 Series A refunding special obligation bonds. The bonds were issued to refund the lease obligations for the Blanchard Education Service Center. The principal funding source is operating transfers from the General Fund.

Bond Sinking

Accounts for the debt service payments of the 2004 limited tax general obligation refunding bonds. The principal funding source is transfers from the General Fund.

General Obligation Bond Debt Service

Accounts for the debt service payments of the 1995 series general obligation bonds. The bonds were issued to finance construction of a new elementary school, acquisition and installation of computer software and hardware in classrooms, major renovations and priority building repairs of the District's facilities, including Americans with Disabilities Act and safety requirements. The principal funding source is property taxes.

COMBINING STATEMENTS
Nonmajor Governmental Funds (continued)

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition of technology or construction or renovation of major capital facilities.

Facilities Improvement/ Technology

Accounts for the acquisition and installation of desktop computers in classroom, installation of wiring and relocated infrastructure to support computers in classrooms, and for construction related to major renovations and building repairs to the District's facilities, including American with Disabilities Act and safety requirements. Primary resources for the fund are bond proceeds in prior years and interest earnings.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Governmental Funds
Combining Balance Sheet by Fund Types
June 30, 2007

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total
ASSETS				
Cash and cash equivalents	\$ 8,023,295	\$ -	\$ 118,378	\$ 8,141,673
Cash and cash equivalents with fiscal agents	-	36,325	-	36,325
Investments	-	1,060,990	-	1,060,990
Accounts and other receivables	1,775,251	5,617	-	1,780,868
Property and other taxes receivable	-	271,009	-	271,009
Due from other funds	800,000	-	-	800,000
Inventories	591,268	-	-	591,268
Total assets	<u>\$ 11,189,814</u>	<u>\$ 1,373,941</u>	<u>\$ 118,378</u>	<u>\$ 12,682,133</u>
LIABILITIES				
Accounts payable	\$ 757,988	\$ -	\$ 118,378	\$ 876,366
Accrued wages and benefits	2,024,588	-	-	2,024,588
Due to other funds	48,760	-	-	48,760
Deferred revenue	-	227,963	-	227,963
Total liabilities	<u>2,831,336</u>	<u>227,963</u>	<u>118,378</u>	<u>3,177,677</u>
FUND BALANCES				
Unreserved	8,358,478	1,145,978	-	9,504,456
Total liabilities and fund balances	<u>\$ 11,189,814</u>	<u>\$ 1,373,941</u>	<u>\$ 118,378</u>	<u>\$ 12,682,133</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2007

	Student Body Activity Fund	Cafeteria Fund	Special Revenue Fund	BESC Cafeteria Fund	Total
ASSETS					
Cash and cash equivalents	\$ 2,673,317	\$ 699,967	\$ 4,649,911	\$ 100	\$ 8,023,295
Accounts and other receivables	94,977	573,912	1,099,435	6,927	1,775,251
Due from other funds	800,000	-	-	-	800,000
Inventories	-	584,846	-	6,422	591,268
Total assets	<u>\$ 3,568,294</u>	<u>\$ 1,858,725</u>	<u>\$ 5,749,346</u>	<u>\$ 13,449</u>	<u>\$ 11,189,814</u>
LIABILITIES					
Accounts payable	\$ 144,112	\$ 490,399	\$ 111,018	\$ 12,459	\$ 757,988
Accrued wages and benefits	-	572,709	1,444,204	7,675	2,024,588
Due to other funds	-	-	-	48,760	48,760
Total liabilities	<u>144,112</u>	<u>1,063,108</u>	<u>1,555,222</u>	<u>68,894</u>	<u>2,831,336</u>
FUND BALANCES (DEFICIT)					
Unreserved (deficit)	<u>3,424,182</u>	<u>795,617</u>	<u>4,194,124</u>	<u>(55,445)</u>	<u>8,358,478</u>
Total liabilities and fund balances	<u>\$ 3,568,294</u>	<u>\$ 1,858,725</u>	<u>\$ 5,749,346</u>	<u>\$ 13,449</u>	<u>\$ 11,189,814</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2007

	System Project Debt Service Fund*	BESC Special Obligation Debt Service Fund*	Bond Sinking Fund*	General Obligation Bond Debt Service Fund	Total
ASSETS					
Cash and cash equivalents					
with fiscal agents	-	\$ -	\$ -	\$ 36,325	\$ 36,325
Accounts and other receivables		-	-	5,617	5,617
Investments	-	-	-	1,060,990	1,060,990
Property and other taxes receivable	-	-	-	271,009	271,009
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,373,941</u>	<u>\$ 1,373,941</u>
LIABILITIES					
Deferred revenue	\$ -	\$ -	\$ -	\$ 227,963	\$ 227,963
FUND BALANCES					
Unreserved	-	-	-	1,145,978	1,145,978
Total liabilities					
and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,373,941</u>	<u>\$ 1,373,941</u>

*These funds have no balance sheet activity here, but they do have expenditure and transfer activity, as shown on the Combining Statement of Revenues, Expenditures and Changes in Fund Balance.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances by Fund Type
For the year ended June 30, 2007

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total
REVENUES				
Property and other taxes	\$ -	\$ 394,607	\$ -	\$ 394,607
Federal and state support	11,343,758	-	-	11,343,758
County and intermediate sources	1,396,903	-	-	1,396,903
Charges for services	6,505,806	-	-	6,505,806
Extracurricular activities	7,177,591	-	-	7,177,591
Investment earnings	5,967	43,966	19,720	69,653
Other	3,917,615	-	-	3,917,615
Total revenues	30,347,640	438,573	19,720	30,805,933
EXPENDITURES				
Current Operating:				
Instruction				
Regular programs	12,344,031	-	-	12,344,031
Special programs	415,659	-	-	415,659
Summer school programs	238,838	-	-	238,838
Total instruction	12,998,528	-	-	12,998,528
Support services:				
Students	270,881	-	-	270,881
Instructional staff	179,994	-	-	179,994
General administration	41,304	-	-	41,304
School administration	214,761	-	-	214,761
Business	794,412	-	-	794,412
Central	110,297	-	-	110,297
Total support services	1,611,649	-	-	1,611,649
Enterprise and community services:				
Food services	13,140,697	-	-	13,140,697
Community services	13,851	-	-	13,851
Total enterprise and community services	13,154,548	-	-	13,154,548
Facilities acquisition and construction	934,452	-	2,006,721	2,941,173
Debt Service:				
Principal	-	7,340,000	-	7,340,000
Interest and fiscal charges	-	1,229,140	-	1,229,140
Total debt service	-	8,569,140	-	8,569,140
Total current expenditures	28,699,177	8,569,140	2,006,721	39,275,038
Excess of expenditures over revenues	1,648,463	(8,130,567)	(1,987,001)	(8,469,105)
OTHER FINANCING SOURCES				
Transfers in	134,666	8,569,140	-	8,703,806
Transfers out	(117,694)	-	-	(117,694)
Total other financing sources	16,972	8,569,140	-	8,586,112
Net change in fund balances	1,665,435	438,573	(1,987,001)	117,007
Fund balances - beginning of year	6,693,043	707,405	1,987,001	9,387,449
Fund balances - end of year	\$ 8,358,478	\$ 1,145,978	-	\$ 9,504,456

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2007

	Student Body Activity Fund	Cafeteria Fund	Special Revenue Fund	BESC Cafeteria Fund	Total
REVENUES					
Federal and state support	\$ -	\$ 10,578,423	\$ 765,335	\$ -	\$ 11,343,758
County and Intermediate sources	\$ -	\$ -	\$ 1,396,903	\$ -	\$ 1,396,903
Charges for services	\$ -	\$ 2,918,331	\$ 3,311,627	\$ 275,848	\$ 6,505,806
Extracurricular activities	\$ 7,177,591	\$ -	\$ -	\$ -	\$ 7,177,591
Investment earnings	\$ -	\$ -	\$ 5,967	\$ -	\$ 5,967
Other	\$ -	\$ 21,246	\$ 3,896,369	\$ -	\$ 3,917,615
Total revenues	<u>\$ 7,177,591</u>	<u>\$ 13,518,000</u>	<u>\$ 9,376,201</u>	<u>\$ 275,848</u>	<u>\$ 30,347,640</u>
EXPENDITURES					
Current operating:					
Instruction:					
Regular programs	\$ 7,261,662	\$ -	\$ 5,082,369	\$ -	\$ 12,344,031
Special programs	\$ -	\$ -	\$ 415,659	\$ -	\$ 415,659
Summer school programs	\$ -	\$ -	\$ 238,838	\$ -	\$ 238,838
Total instruction	<u>\$ 7,261,662</u>	<u>\$ -</u>	<u>\$ 5,736,866</u>	<u>\$ -</u>	<u>\$ 12,998,528</u>
Support services:					
Students	\$ -	\$ -	\$ 270,881	\$ -	\$ 270,881
Instructional staff	\$ -	\$ -	\$ 179,994	\$ -	\$ 179,994
General administration	\$ -	\$ -	\$ 41,304	\$ -	\$ 41,304
School administration	\$ -	\$ -	\$ 214,761	\$ -	\$ 214,761
Business	\$ -	\$ -	\$ 794,412	\$ -	\$ 794,412
Central	\$ -	\$ -	\$ 110,297	\$ -	\$ 110,297
Total support services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,611,649</u>	<u>\$ -</u>	<u>\$ 1,611,649</u>
Enterprise and community services:					
Food services	\$ -	\$ 12,821,942	\$ -	\$ 318,755	\$ 13,140,697
Community services	\$ -	\$ -	\$ 13,851	\$ -	\$ 13,851
Total enterprise and Community Service	<u>\$ -</u>	<u>\$ 12,821,942</u>	<u>\$ 13,851</u>	<u>\$ 318,755</u>	<u>\$ 13,154,548</u>
Facilities acquisition & construction	\$ -	\$ -	\$ 934,452	\$ -	\$ 934,452
Total current expenditures	<u>\$ 7,261,662</u>	<u>\$ 12,821,942</u>	<u>\$ 8,296,818</u>	<u>\$ 318,755</u>	<u>\$ 28,699,177</u>
Excess of revenues over (under) expenditures	<u>(84,071)</u>	<u>696,058</u>	<u>1,079,383</u>	<u>(42,907)</u>	<u>1,648,463</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	16,972	-	117,694	134,666
Transfers out	-	(117,694)	-	-	(117,694)
Total other financing sources (uses)	<u>-</u>	<u>(100,722)</u>	<u>-</u>	<u>117,694</u>	<u>16,972</u>
Net change in fund balances	(84,071)	595,336	1,079,383	74,787	1,665,435
Fund balances (deficit) - beginning of year	3,508,253	200,281	3,114,741	(130,232)	6,693,043
Fund balances (deficit) - end of year	<u>\$ 3,424,182</u>	<u>\$ 795,617</u>	<u>\$ 4,194,124</u>	<u>\$ (55,445)</u>	<u>\$ 8,358,478</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2007

	System Project Debt Service Fund	BESC Special Obligation Debt Service Fund	Bond Sinking Fund	General Obligation Bond Debt Service Fund	Total
REVENUES					
Property and other taxes	\$ -	\$ -	\$ -	\$ 394,607	\$ 394,607
Investment earnings	-	-	-	43,966	43,966
Total revenues	-	-	-	438,573	438,573
EXPENDITURES					
Debt Service:					
Principal	4,750,000	1,385,000	1,205,000	-	7,340,000
Interest and fiscal charges	696,333	69,250	463,557	-	1,229,140
Total expenditures	5,446,333	1,454,250	1,668,557	-	8,569,140
Excess of revenues over (under) expenditures	(5,446,333)	(1,454,250)	(1,668,557)	438,573	(8,130,567)
OTHER FINANCING SOURCES					
Transfers in	5,446,333	1,454,250	1,668,557	-	8,569,140
Net change in fund balances	-	-	-	438,573	438,573
Fund balances - beginning of year	-	-	-	707,405	707,405
Fund balances - end of year	\$ -	\$ -	\$ -	\$ 1,145,978	\$ 1,145,978

BUDGETARY COMPARISON SCHEDULES
Nonmajor Governmental Funds

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Student Body Activity Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Extracurricular activities	\$ 7,500,000	\$ 7,500,000	\$ 7,177,591	\$ (322,409)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs				
Materials and services	8,000,000	8,000,000	7,261,662	738,338
Total instruction	8,000,000	8,000,000	7,261,662	738,338
Excess of expenditures over (under) revenues	(500,000)	(500,000)	(84,071)	415,929
OTHER FINANCING SOURCE				
Transfers in	150,000	150,000	-	(150,000)
Net change in fund balance	(350,000)	(350,000)	(84,071)	265,929
Fund balance - beginning of year	3,000,000	3,000,000	3,508,253	508,253
Fund balance - end of year	<u>\$ 2,650,000</u>	<u>\$ 2,650,000</u>	<u>\$ 3,424,182</u>	<u>\$ 774,182</u>

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Cafeteria Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 2,761,742	\$ 2,761,742	\$ 2,918,331	\$ 156,589
Federal and state support	11,705,494	11,705,494	10,578,423	(1,127,071)
Other	-	-	21,246	21,246
Total revenues	14,467,236	14,467,236	13,518,000	(949,236)
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	6,810,092	6,810,092	6,041,571	768,521
Materials and services	7,988,429	7,988,429	6,780,371	1,208,058
Total food services	14,798,521	14,798,521	12,821,942	1,976,579
Total enterprise and community service	14,798,521	14,798,521	12,821,942	1,976,579
Operating contingency	66,021	66,021	-	66,021
Total expenditures	14,864,542	14,864,542	12,821,942	2,042,600
Excess of expenditures over revenues	(397,306)	(397,306)	696,058	1,093,364
OTHER FINANCING SOURCES				
Transfers in	15,000	15,000	16,972	(1,972)
Transfers out	(117,694)	(117,694)	(117,694)	-
Total other financing sources	(102,694)	(102,694)	(100,722)	(1,972)
Net change in fund balance	(500,000)	(500,000)	595,336	1,095,336
Fund balance - beginning of year	500,000	500,000	200,281	(299,719)
Fund balance - end of year	\$ -	\$ -	\$ 795,617	\$ 795,617

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive/ (Negative)</u>
REVENUES				
County and Intermediate sources	\$ 1,369,125	\$ 1,640,125	\$ 1,396,903	\$ (243,222)
Federal and state support	857,000	1,124,807	765,335	(359,472)
Charges for services	3,128,400	3,485,584	3,311,627	(173,957)
Investment earnings	-	-	5,967	5,967
Other	2,871,557	4,138,296	3,896,369	(241,927)
Total revenues	<u>8,226,082</u>	<u>10,388,812</u>	<u>9,376,201</u>	<u>(1,012,611)</u>
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	3,727,144	4,172,432	4,446,909	(274,477)
Materials and services	439,718	658,516	635,460	23,056
Total regular programs	<u>4,166,862</u>	<u>4,830,948</u>	<u>5,082,369</u>	<u>(251,421)</u>
Special programs:				
Salaries and benefits	1,342,914	1,379,970	190,267	1,189,703
Materials and services	457,831	281,048	225,392	55,656
Total special programs	<u>1,800,745</u>	<u>1,661,018</u>	<u>415,659</u>	<u>1,245,359</u>
Summer school programs:				
Salaries and benefits	244,121	289,044	254,001	35,043
Materials and services	55,879	44,652	(15,163)	59,815
Total summer school programs	<u>300,000</u>	<u>333,696</u>	<u>238,838</u>	<u>94,858</u>
Total instruction	<u>6,267,607</u>	<u>6,825,662</u>	<u>5,736,866</u>	<u>1,088,796</u>
Support Services:				
Students:				
Salaries and benefits	150,151	62,213	66,800	(4,587)
Materials and services	256,520	200,905	204,081	(3,176)
Total students	<u>406,671</u>	<u>263,118</u>	<u>270,881</u>	<u>(7,763)</u>
Instructional staff:				
Salaries and benefits	181,160	121,202	123,642	(2,440)
Materials and services	163,290	46,940	56,352	(9,412)
Total instructional staff	<u>344,450</u>	<u>168,142</u>	<u>179,994</u>	<u>(11,852)</u>
General administration:				
Salaries and benefits	0	6,835	8,138	(1,303)
Materials and services	18,000	7,482	33,166	(25,684)
Total general administration	<u>18,000</u>	<u>14,317</u>	<u>41,304</u>	<u>(26,987)</u>
School administration:				
Salaries and benefits	197,122	211,099	201,163	9,936
Materials and services	36,835	22,713	13,598	9,115
Total school administration	<u>233,957</u>	<u>233,812</u>	<u>214,761</u>	<u>19,051</u>

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
Support Services (continued):				
Business:				
Materials and services	\$ 9,397	\$ 1,069,363	\$ 794,412	\$ 274,951
Central:				
Salaries and benefits	-	24,641	20,946	3,695
Materials and services	89,000	94,788	89,351	5,437
Total central	89,000	119,429	110,297	9,132
Total support services	1,101,475	1,868,181	1,611,649	256,532
Enterprise and Community Services:				
Food Services:				
Materials and services	7,000	-	-	-
Community Services:				
Salaries and benefits	-	9,160	6,335	2,825
Materials and services	-	5,001	7,516	(2,515)
Total community services	-	14,161	13,851	310
Total enterprise and community service	7,000	14,161	13,851	310
Facilities acquisition & construction:				
Materials and services	850,000	1,680,807	934,452	746,355
Total Facilities acquisition & construction	850,000	1,680,807	934,452	746,355
Total current expenditures	8,226,082	10,388,812	8,296,818	2,091,994
Excess of revenue over expenditures and				
Net change in fund balance	-	-	1,079,383	1,079,383
Fund balance - beginning of year	2,552,763	2,552,763	3,114,741	561,978
Fund balance - end of year	<u>\$ 2,552,763</u>	<u>\$ 2,552,763</u>	<u>\$ 4,194,124</u>	<u>\$ 1,641,361</u>

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
BESC Cafeteria Fund
Budgeted As: Blanchard Education Service Center Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance (Deficit) - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 338,407	\$ 338,407	\$ 275,848	\$ (62,559)
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	224,336	224,336	198,224	26,112
Materials and services	114,071	114,071	120,531	(6,460)
Total food services	338,407	338,407	318,755	19,652
Total enterprise and community service	338,407	338,407	318,755	19,652
Excess of expenditures over revenues	-	-	(42,907)	(42,907)
OTHER FINANCING SOURCES				
Transfers in	117,694	117,694	117,694	-
Net change in fund balance	117,694	117,694	74,787	(42,907)
Fund balance (deficit) - beginning of year	(117,694)	(117,694)	(130,232)	(12,538)
Fund balance (deficit) - end of year	\$ -	\$ -	\$ (55,445)	\$ (55,445)

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
System Project Debt Service Fund
Schedule of Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal	\$ 4,750,000	\$ 4,750,000	\$ 4,750,000	\$ -
Interest and fiscal charges	696,333	696,333	696,333	-
Total debt service	5,446,333	5,446,333	5,446,333	-
OTHER FINANCING SOURCES				
Transfers in	5,446,333	5,446,333	5,446,333	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
BESC Special Obligation Debt Service Fund
Schedule of Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal	\$ 1,385,000	\$ 1,385,000	\$ 1,385,000	\$ -
Interest and fiscal charges	69,250	69,250	69,250	-
Total debt service	1,454,250	1,454,250	1,454,250	-
OTHER FINANCING SOURCES				
Transfers in	1,454,250	1,454,250	1,454,250	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Bond Sinking Fund
Schedule of Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal	\$ 1,205,000	\$ 1,205,000	\$ 1,205,000	\$ -
Interest and fiscal charges	463,557	463,557	463,557	-
Total debt service	1,668,557	1,668,557	1,668,557	-
OTHER FINANCING SOURCES				
Transfers in	1,668,557	1,668,557	1,668,557	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
General Obligation Bond Debt Service Fund
Schedule of Revenues, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Property and other taxes	\$ 650,000	\$ 650,000	\$ 394,607	\$ (255,393)
Investment earnings	-	-	43,966	43,966
Total revenues	650,000	650,000	438,573	(211,428)
Fund balance - beginning of year	500,000	500,000	707,405	207,405
Fund balance - end of year	\$ 1,150,000	\$ 1,150,000	\$ 1,145,978	\$ (4,023)

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Facilities Improvement/Technology Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 14,013	\$ 14,013	\$ 19,720	\$ 5,707
EXPENDITURES				
Current Operating:				
Facilities Acquisition & Construction:				
Salaries and benefits	-	-	8,544	(8,544)
Materials and services	2,297,977	2,297,977	1,998,177	299,800
Total facilities acquisition & construction	2,297,977	2,297,977	2,006,721	291,256
Excess of revenue over (under) expenditures	(2,283,964)	(2,283,964)	(1,987,001)	296,963
Fund balance - beginning of year	2,283,964	2,283,964	1,987,001	(296,963)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Self-Insurance Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
For the year ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 4,888,320	\$ 4,888,320	\$ 5,088,308	\$ 199,988
Investment income	80,000	80,000	263,089	183,089
Insurance recoveries	-	-	141,352	141,352
Other	335,598	335,598	3,727	(331,871)
Total revenues	<u>5,303,918</u>	<u>5,303,918</u>	<u>5,496,476</u>	<u>192,558</u>
EXPENDITURES				
Current Operating:				
Support Services:				
Salaries and benefits	400,087	400,087	289,363	110,724
Materials and services	4,068,539	4,068,539	524,244	3,544,296
Claims expense	-	-	2,028,418	(2,028,418)
Operating contingency	1,000,000	1,000,000	-	1,000,000
Total Support Services	<u>5,468,626</u>	<u>5,468,626</u>	<u>2,842,025</u>	<u>2,626,601</u>
Excess of revenues over (under) expenditures	(164,708)	(164,708)	2,654,451	2,819,159
Fund balance - beginning of year	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,380,945</u>	<u>80,945</u>
Fund balance - end of year	<u>\$ 2,135,292</u>	<u>\$ 2,135,292</u>	5,035,396	<u>\$ 2,900,104</u>
Less accrued compensated absences accrued under GAAP			(8,656)	
Retained earnings at end of year, GAAP basis			<u>\$ 5,026,741</u>	

Note: Bolded lines indicate legally required appropriation budget levels of control

OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY OREGON
General Fund
Schedule of Property Tax Transactions
For the Year Ended June 30, 2007

DISTRICT LEVIES	Tax Year	Taxes Uncollected June 30, 2006	Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes Uncollected June 30, 2007
Multnomah County:								
General Tax:								
Current Year	2006-2007	\$ -	\$ 168,273,015	\$ (4,116,478)	\$ 88,510	\$ (433,523)	\$ (159,250,875)	\$ 4,560,649
Prior Years	2005-2006	4,150,646	-	4,247	167,801	(241,571)	(2,609,881)	1,471,242
	2004-2005	1,488,821	-	1,395	130,380	(74,131)	(818,225)	728,240
	2003-2004	790,543	-	498	131,909	(52,967)	(580,411)	289,572
	2002-2003	342,785	-	817	73,859	(34,948)	(305,654)	76,859
	2001-2002	90,809	-	11	4,083	(22,680)	(28,181)	44,042
	2000-2001	69,226	-	5	19,790	(15,041)	(51,378)	22,602
	1999-2000	23,417	-	4	2,495	(4,939)	(6,053)	14,924
	1998-1999	15,932	-	-	2,204	(2,910)	(4,891)	10,335
	1997-1998	20,690	-	-	924	(991)	(1,911)	18,712
	1996-1997 and prior	110,889	-	-	10,457	(3,765)	(17,238)	100,343
Total General Tax:		<u>7,103,758</u>	<u>168,273,015</u>	<u>(4,109,501)</u>	<u>632,412</u>	<u>(887,466)</u>	<u>(163,674,698)</u>	<u>7,337,520</u>
Local Option Taxes:								
	2004-2005	170,915	-	160	14,967	(8,511)	(93,931)	83,600
	2003-2004	92,514	-	58	15,437	(6,196)	(67,925)	33,888
	2002-2003	39,121	-	93	8,429	(3,989)	(34,883)	8,771
	2001-2002	9,896	-	1	445	(2,473)	(3,071)	4,798
	2000-2001	6,944	-	1	1,985	(1,510)	(5,152)	2,268
Total Local Option Taxes:		<u>319,390</u>	<u>-</u>	<u>313</u>	<u>41,263</u>	<u>(22,679)</u>	<u>(204,962)</u>	<u>133,325</u>
Cancel/Omit								
Current Year	2006-2007	-	217,709	(5,326)	115	(561)	(206,037)	5,900
Prior Year	2005-2006	11,668	-	12	472	(679)	(7,336)	4,137
	2004-2005	4,101	-	4	359	(205)	(2,253)	2,006
	2003-2004	1,646	-	1	275	(109)	(1,210)	603
Total Cancel/Omit Taxes:		<u>17,415</u>	<u>217,709</u>	<u>(5,309)</u>	<u>1,221</u>	<u>(1,554)</u>	<u>(216,836)</u>	<u>12,646</u>
Total Multnomah County:		<u>7,440,563</u>	<u>168,490,724</u>	<u>(4,114,497)</u>	<u>674,896</u>	<u>(911,699)</u>	<u>(164,096,496)</u>	<u>7,483,491</u>
Washington County:								
All Years ¹		-	1,251,320	-	-	-	(1,214,240)	-
Clackamas County:								
All Years ¹		-	145,135	-	-	-	(140,374)	-
Total All Counties:		<u>\$ 7,440,563</u>	<u>\$ 169,887,179</u>	<u>\$ (4,114,497)</u>	<u>\$ 674,896</u>	<u>\$ (911,699)</u>	<u>\$ (165,451,110)</u>	<u>\$ 7,483,491</u>

¹ The total collections from Washington and Clackamas Counties were less than one percent of the District's total property tax collections. The taxes receivable from the two counties at June 30, 2007 were considered immaterial. Taxes receivable reported in the financial statements is the combination of Multnomah County \$7,483,491, Washington County \$10,187, and Clackamas County \$1,559, for a total of \$7,495,237.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY OREGON
General Fund
Schedule of Property Tax Transactions
For the Year Ended June 30, 2007

Reconciliation to Financial Statements:

Property tax collections for the year ended June 30, 2007	\$ 165,451,110	
Non-levied tax revenue received for the year ended June 30, 2007	646,627	
Uncollected property taxes at June 30, 2007		\$ 7,483,491
Uncollected property taxes susceptible to accrual at June 30, 2007	883,697	(872,227)
Non-levied tax revenue susceptible to accrual at June 30, 2007	12,855	(12,578)
Property taxes & non-levy revenue susceptible to accrual at June 30, 2006, and collected during the year ended June 30, 2007	<u>(667,608)</u>	
Total property taxes - General Fund	<u>\$ 166,326,681</u>	<u> </u>
Total Deferred Revenues - General Fund		<u>\$ 6,598,686</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY OREGON
Debt Service Funds
Schedule of Property Tax Transactions
For the Year Ended June 30, 2007

DISTRICT LEVIES	Tax Year	Taxes Uncollected June 30, 2006	Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes Uncollected June 30, 2007
Multnomah County:								
Bond Tax:								
	2004-2005	\$ 330,988	\$ -	\$ 310	\$ 28,986	\$ (16,481)	\$ (181,904)	\$ 161,899
	2003-2004	182,169	-	115	30,397	(12,206)	(133,747)	66,728
	2002-2003	82,042	-	196	17,677	(8,365)	(73,155)	18,395
	2001-2002	17,763	-	2	799	(4,436)	(5,513)	8,615
	2000-2001	13,326	-	1	3,809	(2,896)	(9,890)	4,350
	1999-2000	4,796	-	1	511	(1,012)	(1,240)	3,056
	1998-1999	3,106	-	-	430	(568)	(953)	2,015
	1997-1998	5,209	-	-	233	(249)	(481)	4,712
	1996-1997 and prior	1,177	-	-	171	(107)	(342)	899
Total Multnomah County:		<u>640,576</u>	<u>-</u>	<u>625</u>	<u>83,013</u>	<u>(46,320)</u>	<u>(407,225)</u>	<u>270,669</u>
Washington County:								
All Years ¹		-	-	-	-	-	(1,464)	-
Clackamas County:								
All Years ¹		-	-	-	-	-	(220)	-
Total All Counties:		<u>\$ 640,576</u>	<u>\$ -</u>	<u>\$ 625</u>	<u>\$ 83,013</u>	<u>\$ (46,320)</u>	<u>\$ (408,909)</u>	<u>\$ 270,669</u>

Reconciliation to Financial Statements:

Property tax collections for the year ended June 30, 2007	\$ 408,909	
Non-levied tax revenue received for the year ended June 30, 2007	-	
Uncollected property taxes at June 30, 2007		\$ 270,669
Uncollected property taxes susceptible to accrual at June 30, 2007	43,046	(42,706)
Property taxes & non-levy rev susceptible to accrual at June 30, 2006, and collected during the year ended June 30, 2007	(57,348)	
Total property taxes - Debt Service Funds	<u>\$ 394,607</u>	
Total Deferred Revenues - Debt Service Funds		<u>\$ 227,963</u>

¹ The total collections from Washington and Clackamas Counties were less than one percent of the District's total property tax collections. The taxes receivable from the two counties at June 30, 2007 were considered immaterial. Taxes receivable reported in the financial statements is the combination of Multnomah County \$270,669, Washington County \$300, and Clackamas County \$40, for a total of \$271,009.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2007

Governmental funds capital assets:

Land	\$ 8,756,243
Buildings and site improvements	308,958,878
Vehicles and equipment	34,846,032
Construction in progress	<u>2,186,520</u>
Total governmental funds capital assets	<u><u>\$ 354,747,673</u></u>

Investments in governmental funds capital assets by source:

General fund	\$ 141,723,117
Special Revenue funds	3,270,826
Capital Projects funds	<u>209,753,730</u>
Total governmental funds capital assets	<u><u>\$ 354,747,673</u></u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2007

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Site Improvements</u>	<u>Vehicles and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:					
Instruction	\$ 6,748,743	\$ 281,986,141	\$ 2,970,716	\$ 2,126,144	\$ 293,831,744
Support services	2,007,500	26,962,277	30,551,787	60,376	59,581,940
Food services	-	10,460	1,323,529	-	1,333,989
Total governmental funds capital assets	<u>\$ 8,756,243</u>	<u>\$ 308,958,878</u>	<u>\$ 34,846,032</u>	<u>\$ 2,186,520</u>	<u>\$ 354,747,673</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
June 30, 2007

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2007</u>
General government				
Instruction	\$ 290,737,467	\$ 4,116,962	\$ 1,022,685	\$ 293,831,744
Support services	59,224,513	357,427	-	59,581,940
Food services	1,259,118	74,871	-	1,333,989
Total governmental funds capital assets	<u>\$ 351,221,098</u>	<u>\$ 4,549,260</u>	<u>\$ 1,022,685</u>	<u>\$ 354,747,673</u>

Statistical Section

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i>	75
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	80
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	84
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
<i>Demographic and Economic Information</i>	87
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
<i>Operating Information</i>	89
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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Schedule 1
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Condensed Statement of Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

Governmental Activities

	Fiscal year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assets						
Current and other assets	\$ 138,570,096	\$ 103,758,133	\$ 142,480,484	\$ 161,328,392	\$ 169,096,617	\$ 167,963,849
Prepaid pension costs	-	486,617,609	486,071,587	485,029,169	478,576,495	471,759,384
Net capital assets	<u>223,642,208</u>	<u>228,616,491</u>	<u>224,098,220</u>	<u>210,589,259</u>	<u>203,717,454</u>	<u>195,885,221</u>
Total assets	<u>362,212,304</u>	<u>818,992,233</u>	<u>852,650,291</u>	<u>856,946,820</u>	<u>851,390,566</u>	<u>835,608,454</u>
Liabilities						
Other current liabilities	78,923,488	116,163,653	75,478,168	75,082,225	78,829,393	98,449,122
Other long-term liabilities	169,925,241	78,866,315	79,987,337	37,906,890	32,875,603	24,271,218
Limited tax pension bonds payable	-	491,273,897	490,727,875	489,685,459	483,232,785	476,415,674
Total liabilities	<u>248,848,729</u>	<u>686,303,865</u>	<u>646,193,380</u>	<u>602,674,574</u>	<u>594,937,781</u>	<u>599,136,014</u>
Net Assets						
Invested in capital assets, net of related debt	87,514,912	123,871,911	156,010,883	183,482,369	183,157,012	180,034,003
Unrestricted	<u>25,848,663</u>	<u>8,816,457</u>	<u>50,446,028</u>	<u>70,789,877</u>	<u>73,295,773</u>	<u>56,438,437</u>
Total Net Assets	<u>\$ 113,363,575</u>	<u>\$ 132,688,368</u>	<u>\$ 206,456,911</u>	<u>\$ 254,272,246</u>	<u>\$ 256,452,785</u>	<u>\$ 236,472,440</u>

Note:

The District implemented GASB 34 beginning in 2002. As a result, ten years data is not available. Over time, ten fiscal years will be presented.

Schedule 2
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

Governmental Activities	Fiscal year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenditures						
Instruction	\$ 278,299,538	\$ 246,091,005	\$ 264,429,734	\$ 278,166,226	\$ 272,830,505	\$ 281,308,410
Support services	167,000,814	160,169,734	160,120,687	167,788,692	178,013,619	198,721,067
Enterprise and Community Services	14,879,069	14,736,156	13,734,717	15,424,600	15,385,942	15,186,804
Non-capital facilities maintenance & replacement	-	15,638,257	9,177,488	2,225,437	-	7,632,659
Interest and fees on long-term debt	12,209,858	10,607,253	5,381,506	3,919,451	1,816,178	1,535,441
Total expenditures	<u>472,389,279</u>	<u>447,242,405</u>	<u>452,844,132</u>	<u>467,524,406</u>	<u>468,046,244</u>	<u>504,384,381</u>
Program Revenues						
Charges for services:						
Instruction	8,165,250	6,318,753	3,561,322	3,672,390	4,446,884	4,099,560
Support services	-	-	2,126,708	1,855,014	1,712,468	2,156,977
Enterprise and Community Services	4,693,192	4,213,286	3,962,141	3,949,534	3,153,013	4,189,560
Operating grants and contributions:						
Instruction	55,615,360	48,305,892	40,544,731	43,992,249	44,130,929	51,914,930
Support services	18,249,919	16,185,600	18,075,525	23,581,529	23,565,689	29,162,994
Enterprise and Community Services	10,090,155	11,125,271	10,983,081	11,128,402	11,176,301	12,500,375
Total program revenues	<u>96,813,876</u>	<u>86,148,802</u>	<u>79,253,508</u>	<u>88,179,118</u>	<u>88,185,284</u>	<u>104,024,396</u>
Net Expenditures	<u>(375,575,403)</u>	<u>(361,093,603)</u>	<u>(373,590,624)</u>	<u>(379,345,288)</u>	<u>(379,860,959)</u>	<u>(400,359,985)</u>
General Revenues:						
Property taxes, levies for operations	128,574,250	131,056,316	135,183,185	138,698,619	144,542,631	165,535,879
Property taxes, levies for debt service	39,312,267	47,081,715	45,672,830	33,979,321	920,899	37,318
Local option taxes	14,879,271	16,263,204	17,164,911	31,750,751	466,473	199,605
State School Fund	193,284,103	150,705,317	183,619,106	148,012,565	157,061,375	164,182,040
State Common School Fund	1,527,383	3,100,444	1,251,379	3,783,920	4,135,436	4,315,601
County and intermediate sources	10,863,837	24,440,903	50,805,630	59,733,548	59,612,824	30,008,532
Investment earnings	5,310,974	2,187,551	1,786,274	3,091,245	5,554,172	7,794,612
Other	2,278,644	5,343,708	6,383,011	8,255,466	9,781,050	7,959,318
Gain (Loss) on disposal of capital assets	2,098,078	239,238	5,492,841	6,023,738	(33,362)	346,735
Total general revenues	<u>398,128,807</u>	<u>380,418,396</u>	<u>447,359,167</u>	<u>433,329,173</u>	<u>382,041,498</u>	<u>380,379,640</u>
Change in Net Assets	<u>\$ 22,553,404</u>	<u>\$ 19,324,793</u>	<u>\$ 73,768,543</u>	<u>\$ 53,983,885</u>	<u>\$ 2,180,539</u>	<u>\$ (19,980,345)</u>

Note: The District implemented GASB 34 beginning in 2002. As a result, ten years data is not available. Over time, ten fiscal years will be presented.

Schedule 3
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Fund Balances (Deficit)					
Unreserved, reported in					
General Fund	\$ 10,667,200	\$ 6,612,324	\$ 8,184,156 ⁽¹⁾	\$ 999,028	\$ (2,819,020)
Special revenue funds	3,065,231	4,522,475 ⁽¹⁾	8,122,156 ⁽¹⁾	8,257,539 ⁽¹⁾	7,225,462
Capital projects funds	107,939,743	112,507,514	92,127,886	68,833,381	46,613,244
Debt service funds	712,396 ⁽¹⁾	1,614,537	2,724,060	1,387,057	(893,172)
Total fund balances	<u>\$ 122,384,570</u>	<u>\$ 125,256,850</u>	<u>\$ 111,158,258</u>	<u>\$ 79,477,005</u>	<u>\$ 50,126,514</u>

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Fund Balances (Deficit)					
Unreserved, reported in					
General Fund	\$ (13,551,548)	\$ 13,190,954	\$ 31,836,517	\$ 43,235,343	\$ 41,223,602
Special revenue funds	11,222,575	20,882,265	29,932,416	25,493,043	25,158,478
Capital projects funds	23,228,580	12,964,788	7,381,496	1,987,001	-
Debt service funds	2,634,927	2,256,445	(221,949)	707,405	1,145,978
Total fund balances	<u>\$ 23,534,534</u>	<u>\$ 49,294,452</u>	<u>\$ 68,928,480</u>	<u>\$ 71,422,792</u>	<u>\$ 67,528,058</u>

⁽¹⁾ Fund balance as restated.

Schedule 4
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues				
Property and other taxes	\$ 146,819,152	\$ 155,776,530	\$ 153,568,334	\$ 170,871,461
State School Fund	187,572,207	175,879,263	189,566,900	193,991,416
Local option taxes	-	-	-	-
County and intermediate sources	10,885,505	10,997,073	10,869,502	10,820,167
State Common School Fund	1,164,795	1,187,604	3,822,492	4,096,001
Federal and state support	61,290,193	67,129,610	77,008,008	76,452,000
Charges for services	3,285,157	1,821,159	1,791,888	4,087,934
Extracurricular activities	5,360,084	5,842,127	6,051,838	6,364,927
Investment earnings	12,023,731	8,357,365	10,074,238	10,049,828
Other	9,189,325	9,252,418	12,883,137	5,650,668
Total revenues	<u>437,590,149</u>	<u>436,243,149</u>	<u>465,636,337</u>	<u>482,384,402</u>
Expenditures				
Current Operating				
Instruction	227,729,663	240,125,273	251,936,165	269,845,391
Support services	192,467,439	185,418,653	172,477,618	185,375,670
Enterprise and Community Services	11,826,758	12,873,913	13,922,082	14,860,051
Non-capital facilities acquisition & construction	5,504,946	-	-	-
Debt Service				
Principal	31,176,870	92,507,724	32,384,133	35,682,020
Interest	17,138,701	14,719,094	14,540,768	14,037,401
Bond issue costs	-	-	-	-
Total expenditures	<u>485,844,377</u>	<u>545,644,657</u>	<u>485,260,766</u>	<u>519,800,533</u>
Excess (deficiency) of revenues over expenditures	<u>(48,254,228)</u>	<u>(109,401,508)</u>	<u>(19,624,429)</u>	<u>(37,416,131)</u>
Other Financing Sources (Uses)				
Transfers in	20,796,278	30,960,049	9,136,011	6,896,908
Transfers out	(21,796,278)	(30,960,049)	(9,888,370)	(6,896,908)
Proceeds from borrowing	560,945	105,655,381	6,052,477	-
Defeasance of bonds	-	-	(2,759,464)	-
Payments to escrow agent	-	-	-	-
Proceeds from the sale of capital assets	10,867	5,998,503	3,601,751	4,520,758
Total other financing sources (uses)	<u>(428,188)</u>	<u>111,653,884</u>	<u>6,142,405</u>	<u>4,520,758</u>
Net change in fund balances	<u>\$ (48,682,416)</u>	<u>\$ 2,252,376</u>	<u>\$ (13,482,024)</u>	<u>\$ (32,895,373)</u>
Debt services as a percentage of noncapital expenditures	10.1%	19.7%	9.7%	9.6%

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 166,429,819	\$ 178,202,707	\$ 181,356,289	\$ 173,146,732	\$ 147,351,635	\$ 166,521,707
193,284,103	150,705,317	183,619,106	148,012,565	157,061,375	164,182,040
14,879,271	16,263,204	17,164,911	31,750,751	466,473	199,605
10,863,837	24,440,903	50,805,630	59,733,548	59,612,824	30,008,532
1,527,383	3,100,444	1,251,379	3,783,920	4,135,436	4,315,601
74,306,854	64,116,273	59,191,176	68,903,035	68,060,477	80,134,374
4,693,192	4,213,286	9,650,171	9,476,938	9,312,365	10,446,097
7,006,887	7,171,159	7,259,049	6,872,478	7,123,378	7,177,591
5,126,090	2,127,932	1,752,164	3,017,686	5,364,899	7,531,524
12,908,885	15,532,974	9,884,831	10,996,682	12,352,130	13,674,529
<u>491,026,321</u>	<u>465,874,199</u>	<u>521,934,706</u>	<u>515,694,335</u>	<u>470,840,992</u>	<u>484,191,600</u>
274,713,161	254,343,335	261,213,467	269,937,589	264,431,166	276,929,444
181,564,677	156,682,040	158,109,666	167,966,730	172,954,041	182,918,026
14,865,042	14,836,691	14,282,310	15,558,590	15,447,804	15,076,501
-	15,638,257	9,177,488	5,274,400	6,491,124	7,632,660
39,196,356	42,980,661	47,532,243	42,053,539	7,721,449	8,039,226
12,343,301	8,982,698	6,562,979	3,986,688	1,735,768	1,412,466
	4,314,271	110,568	-	-	-
<u>522,682,537</u>	<u>497,777,953</u>	<u>496,988,721</u>	<u>504,777,536</u>	<u>468,781,352</u>	<u>492,008,323</u>
<u>(31,656,216)</u>	<u>(31,903,754)</u>	<u>24,945,985</u>	<u>10,916,799</u>	<u>2,059,640</u>	<u>(7,816,723)</u>
9,740,939	8,850,365	16,535,425	17,918,545	10,700,157	10,703,806
(9,740,939)	(8,850,365)	(16,535,425)	(17,918,545)	(10,700,157)	(10,703,806)
-	490,933,461	11,900,000	-	-	2,125,000
-	-	-	-	-	-
-	(486,617,609)	(11,842,867)	-	-	-
2,305,725	995,922	756,800	8,717,229	434,672	1,796,989
<u>2,305,725</u>	<u>5,311,774</u>	<u>813,933</u>	<u>8,717,229</u>	<u>434,672</u>	<u>3,921,989</u>
<u>\$ (29,350,491)</u>	<u>\$ (26,591,980)</u>	<u>\$ 25,759,918</u>	<u>\$ 19,634,028</u>	<u>\$ 2,494,312</u>	<u>\$ (3,894,734)</u>
9.9%	11.7%	11.1%	9.2%	2.0%	2.0%

Schedule 5
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Assessed Values of Taxable Property within School District No. 1 Boundaries
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ending June 30	Assessed Value (not including exempt property)					Total Assessed Value	Add: Non- Profit Housing	Less: Urban Renewal Excess	Total Net Assessed Value	Total Direct Tax Rate	Amount tax rate will raise	Less: Reduction and Adjustments	Total Taxes Imposed (Net Levy)
	Real Property	Personal Property	Manufactured Structures	Public Utility									
1998	\$ 20,420,808	\$ 1,205,702	\$ n/a	\$ 900,691	\$ 22,527,201	\$ -	\$ -	\$ 22,527,201	\$ 6.6705	\$ 150,268	\$ 3,669	\$ 146,599	
1999	21,769,943	1,464,770	n/a	994,471	24,229,184	-	-	24,229,184	6.3185	153,092	3,606	149,486	
2000	n/a	n/a	n/a	n/a	25,405,546	-	-	25,405,546	5.3534	136,006	(21,228)	157,234	
2001	n/a	n/a	n/a	n/a	26,719,188	-	-	26,719,188	6.9959	186,925	10,293	176,632	
2002	n/a	n/a	n/a	n/a	27,988,718	-	-	27,988,718	6.9747	195,213	9,777	185,436	
2003	27,152,155	1,969,018	13,810	1,437,798	30,572,781	15,399	1,783,901	28,804,279	7.2206	207,984	7,777	200,207	
2004	28,176,402	1,885,801	12,985	1,390,717	31,465,905	15,861	1,909,048	29,572,718	7.1160	210,439	7,145	203,294	
2005	29,273,560	1,835,681	15,126	1,456,843	32,581,210	16,337	2,107,473	30,490,074	7.1792	218,894	7,689	211,205	
2006	30,797,829	1,832,766	14,267	1,251,626	33,896,488	16,827	2,512,764	31,400,551	4.7743	149,916	475	149,441	
2007	32,185,082	1,863,994	13,755	1,309,159	35,371,990	17,332	2,830,224	32,559,098	5.2781	171,850	1,963	169,887	

Notes:

Beginning July 1, 1997 property taxes were based on an assessed value. Assessed value is defined as the lower of "maximum assessed value" or "real market value". For the 1997-1998 tax year, "maximum assessed value" was set at the 1995-1996 real market value less 10 percent. Assessed value for later years is limited to 3 percent annual increases.

The net levy is the actual imposed tax after adjustments and constitutional property tax limitations due to the passing of Measure 5 in 1990 and Measure 50 in 1997.

Source:

FY 1996-2002: Tax Supervising and Conservation Commission annual reports for the relevant fiscal year. Total assessed values do not include urban renewal excess.

FY 2003-2007: Oregon Property Tax Statistics Supplement for the appropriate fiscal year. Values are the *combined* total for the taxing district, "Portland 1J School", in Multnomah, Clackamas, and Washington counties.

Schedule 6
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

District Direct Rates

Fiscal Year	General Tax Permanent Rate ¹	Local Option	GAP Bonds	General Obligation Debt Service Bonds	Total Direct Tax Rate
1998	\$ 5.3618	\$ -	\$ -	\$ 1.3087	\$ 6.6705
1999	4.7743	-	0.5379	1.0063	6.3185
2000	4.7743	-	0.5273	0.0518	5.3534
2001	4.7743	0.7500	0.4875	0.9841	6.9959
2002	4.7743	0.7500	0.4570	0.9934	6.9747
2003	4.7743	0.7500	0.4674	1.2289	7.2206
2004	4.7743	0.7500	0.4167	1.1750	7.1160
2005	5.2781	0.7500	-	1.1511	7.1792
2006	4.7743	-	-	-	4.7743
2007	5.2781	-	-	-	5.2781

Overlapping Total Property Tax Rates

Fiscal Year	Multnomah County	Port of Portland	Metro	City of Portland	Portland Community College	Multnomah Education Service District
1998	\$ 4.8865	\$ 0.0700	\$ 0.3902	\$ 6.7799	\$ 0.3651	\$ 0.4581
1999	5.3923	0.0780	0.3644	6.8271	0.3515	0.4576
2000	5.2527	0.0753	0.3284	6.7930	0.3601	0.4576
2001	5.3050	0.0737	0.3401	6.8957	0.3717	0.4576
2002	5.2110	0.0707	0.3239	6.7161	0.5511	0.4576
2003	5.1742	0.0701	0.2835	6.9663	0.4944	0.4576
2004	5.2719	0.0701	0.2900	8.1893	0.5118	0.4576
2005	5.2785	0.0701	0.2838	7.9791	0.5099	0.4576
2006	5.3065	0.0701	0.2841	7.9181	0.4950	0.4576
2007	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576

The permanent and local option tax rates are determined by the State of Oregon Constitution and State Statutes. Existing districts cannot increase their permanent rate authority. Local option levies are limited to five years for operations and ten years for capital projects. Elections for local option levies must meet the double majority election test, except in the November general election in even numbered years. Rates for debt service are set based on each year's requirements.

¹ The District paid off its "gap bonds" in May, 2004. Under the provisions of Ballot Measure 50, the District's permanent tax rate is increased from \$4.7743 to \$5.2781 to include what had been previously levied for payment of the "gap bonds". Legislation passed in 2003 treats the increase the same as local option levies. The increase expired on June 30, 2005 so the District's permanent rate went back to \$4.7743 for the 2005-06 fiscal year. Legislation passed in 2006 has allowed for the reauthorization of the "gap bonds" for three years beginning in 2006-2007, so the District's permanent rate has gone up to \$5.2781.

Source: The Tax Supervising and Conservation Commission annual reports for the relevant fiscal year.

Schedule 7
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Principal Property Tax Payers for Multnomah County
Current Year and Ten Years Ago
Taxing District - 311 Portland School District

Taxpayer	1998			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ten Largest Taxpayers						
US West Communications Inc./ Qwest Corporation	\$ 342,259,751	1	1.33%	\$ 254,286,320	1	0.78%
Pacificorp	153,878,700	2	0.68	211,738,000	2	0.65
Portland General Electric	137,911,200	3	0.01	210,806,230	3	0.65
Oregon Steel Mills Inc	-	-	-	163,510,960	4	0.50
LC Portland, LLC	-	-	-	143,836,450	5	0.44
Freightliner, LLC	-	-	-	127,971,150	6	0.39
Port of Portland	-	-	-	123,541,910	7	0.38
AT&T/Cingular Wireless LLC	58,701,760	10	-	115,163,900	8	0.35
Silitronic Corp	-	-	0.00	114,574,130	9	0.35
One Eleven Tower LLC	-	-	-	112,303,060	10	0.34
Oregon Arena Corp	133,920,000	4	0.59	-	-	-
S-I Lloyd Associates (Lloyd Ctr.)	88,937,640	5	0.39	-	-	-
Wacker Siltronic Corp	73,971,230	6	0.33	-	-	-
Nabisco Inc	73,337,550	7	0.33	-	-	-
US Bancorp	67,872,420	8	0.30	-	-	-
Atocem North America Inc	58,845,330	9	0.26	-	-	-
Subtotal of Ten Largest Taxpayers	1,189,635,581		3.78	1,577,732,110		4.83
All Other Taxpayers	21,337,565,128		96.22	30,981,365,890		95.17
Total All Taxpayers	\$ 22,527,200,709		100.00%	\$ 32,559,098,000		100.00%

Source:
Multnomah County, Division of Assessment and Taxation

Schedule 8
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years ²	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 146,598,607	\$ 140,697,837	95.97%	\$ 5,101,446	\$ 145,799,283	99.45%
1999	149,486,222	141,287,804	94.52	4,309,439	145,597,243	97.40
2000	157,234,206	148,099,203	94.19	4,727,534	152,826,737	97.20
2001	176,631,928	166,127,224	94.05	6,219,086	172,346,310	97.57
2002	185,435,529	174,460,215	94.08	5,456,173	179,916,388	97.02
2003	200,207,113	188,165,384	93.99	6,462,850	194,628,234	97.21
2004	203,293,962	191,749,647	94.32	5,079,262	196,828,909	96.82
2005	211,204,986	198,860,608	94.16	4,765,483	203,626,091	96.41
2006	148,224,255	141,469,608	95.44	2,617,217	144,086,825	97.21
2007	169,887,179	160,813,210	94.66	5,046,809	165,860,019	97.63

Note:

The net taxes levied are combined for Multnomah, Washington, and Clackamas counties. Responsibility for the collection of all property taxes rests within each County's Department of Assessment and Taxation. Current taxes are assessed as of July 1, become due as of November 15 and become delinquent as of May 15. Assessed taxes become a lien upon real property in the fourth year of delinquency. Proceeds of tax sales are applied to delinquent taxes, interest and other costs attributable to the property sold.

¹ The net levy is the actual imposed tax after adjustments and constitutional property tax limitations due to the passing of Measure 5 in 1990 and Measure 50 in 1997. Additional information can be found on Schedule 5.

² Collections in subsequent years includes current year revenue received for taxes levied in prior years.

Schedule 9
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per student and per capita)

General Bonded Debt					
Fiscal Year	General Obligation Bonds	Less Amount Available for Repayment	Net General Obligation Bonds Outstanding	Percentage of Actual Taxable Value of Property ¹	Per Student ²
1998	\$ 169,450	\$ 712	\$ 168,738	0.75%	\$ 2,982
1999	154,450	1,609	152,841	0.63	2,738
2000	136,550	2,713	133,837	0.53	2,445
2001	115,825	1,371	114,454	0.43	2,103
2002	92,175	(900)	93,075	0.33	1,719
2003	65,375	2,628	62,747	0.22	1,185
2004	34,675	2,256	32,419	0.11	663
2005	-	-	-	-	-
2006	-	-	-	-	-
2007	-	-	-	-	-

Other Governmental Activities Debt								
Fiscal Year	Limited Tax and G.O. Refunding Bonds	Certificates of Participation	Refunding Special Obligations	Small Scale Energy Loan Programs	Notes Payable	Total District ³	Per Student ²	Per Capita ⁴
1998	\$ 70,365	\$ 5,745	\$ 10,435	\$ -	\$ -	\$ 255,283	\$ 4,512	\$ 598
1999	61,875	43,310	9,465	-	-	267,491	4,791	626
2000	52,490	39,685	8,455	-	-	234,467	4,283	549
2001	42,755	35,945	7,405	7,192	-	207,751	3,817	486
2002	32,670	32,060	6,310	6,710	-	170,825	3,155	400
2003	513,474	28,015	5,160	6,195	-	615,591	11,622	1,442
2004	502,628	23,810	3,960	5,642	-	568,459	11,629	1,331
2005	500,485	19,435	2,705	4,967	-	527,592	11,071	1,235
2006	492,858	14,880	1,385	4,295	-	513,418	10,922	1,202
2007	484,836	10,130	-	3,596	2,125	500,687	10,803	1,172

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

¹ See Schedule 5 for property value data.

² Student enrollment data can be found in Schedule 16

³ Includes net general bonded debt and other governmental activities debt.

⁴ Per capita is calculated using the estimated District population of 427,037 from the 2000 Census per the Portland State University Population and Research Center.

Schedule 10
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007
(dollars in thousands)

Overlapping Issuer	Net Property-tax Backed Debt ¹	Percent Overlapping	Overlapping Debt
Clackamas County	\$ 49,990	0.1126%	\$ 56
Clackamas Cty RFPD #1	6,370	0.1163%	7
City of Lake Oswego	27,875	5.0716%	1,414
City of Milwaukie	1,665	0.6295%	10
Multnomah County	61,550	72.1810%	44,427
METRO	226,593	34.7180%	78,670
Tri-Met	68,900	34.9221%	24,061
Portland Community College	63,430	44.0712%	27,954
City of Portland	68,535	84.5175%	57,925
Washington County	42,560	0.7030%	299
Tualatin Hills Park & Rec. District	16,585	1.3504%	224
Tualatin Valley Fire & Rescue District	2,850	2.0384%	58
City of Beaverton	1,995	1.9125%	38
Subtotal, overlapping debt			235,143
Direct District net property-tax backed debt			-
Total direct and overlapping debt			<u>\$ 235,143</u>

¹ Net Property-tax Backed Debt includes all General Obligation (GO) bonds and Limited-tax GO bonds, less Self-supporting Unlimited-tax (GO) and Self-supporting Limited-tax GO debt.

Source:
Oregon State Treasury, Debt Management Division

Schedule 11
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2007	
Real Market Value	\$ 63,355,696
Debt Limit (7.95%) ¹	5,036,778
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonded Debt	-
Less: Amount Available in Debt Service Funds	-
Amount of Debt Applicable to Debt Limit	<u>-</u>
Legal Debt margin	<u><u>\$ 5,036,778</u></u>

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$ 2,337,485	\$ 2,486,563	\$ 2,890,190	\$ 3,120,981	\$ 3,421,393	\$ 3,603,191	\$ 3,810,833	\$ 4,039,060	\$ 4,513,275	\$ 5,036,778
Total net debt applicable to limit	<u>168,738</u>	<u>152,841</u>	<u>133,837</u>	<u>114,454</u>	<u>93,075</u>	<u>60,747</u>	<u>32,419</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 2,168,747</u>	<u>\$ 2,333,722</u>	<u>\$ 2,756,353</u>	<u>\$ 3,006,527</u>	<u>\$ 3,328,318</u>	<u>\$ 3,542,444</u>	<u>\$ 3,778,414</u>	<u>\$ 4,039,060</u>	<u>\$ 4,513,275</u>	<u>\$ 5,036,778</u>
Total net debt applicable to the limit as a percentage of debt limit	7.22%	6.15%	4.63%	3.67%	2.72%	1.69%	0.85%	0.00%	0.00%	0.00%

¹ ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Aggregates are governed by real market values of all taxable properties within the District

^A For each grade from kindergarten to eighth for which the District operates schools, fifty-five one-hundredths of one percent (.0055) of the real market value.

^B For each grade from ninth to twelfth for which the District operates schools, seventy-five one-hundredths of one percent (.0075) of the real market value.

Allowable Percentage of Real Market Value:	
^A Kindergarten through eighth grade, 9 x .0055	4.95%
^B Ninth through twelfth, 4 x .0075	<u>3.00%</u>
Allowable Percentage	<u><u>7.95%</u></u>

Source
Market value per Multnomah County, Tax Supervising and Conservation Commission

Schedule 12
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Demographic and Economic Statistics
Last Ten Calendar Years
Multnomah County

Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income	Unemployment Rate
1998	652,416	\$ 18,949,705	\$ 29,045	4.7%
1999	657,740	19,735,801	30,005	5.0
2000	661,584	21,384,426	32,323	4.7
2001	668,903	22,589,707	33,771	6.3
2002	675,468	23,078,170	34,166	8.1
2003	677,608	23,388,512	34,516	8.5
2004	671,172	24,214,231	36,078	7.4
2005	672,947	25,436,032	37,798	6.1
2006	- ¹	- ¹	- ¹	5.2
2007	- ¹	- ¹	- ¹	5.0 ²

¹ Data for 2006 and 2007 not available at time of printing.

² As of June, 2007

Sources:

Population, personal income and per capita information: US Department of Commerce, Bureau of Economic Analysis as reported in April 2007.

Unemployment rate information: US Department of Labor, Bureau of Labor Statistics

Schedule 13
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Principal Employers for the Portland Metro Area
Current Year and Eleven Years Ago

Employer	1997			2007		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Ten Largest Employers						
Intel Corp.	9,500	1	0.97%	16,740	1	1.54%
Providence Health System	6,352 ¹	4	0.65	14,639	2	1.35
Oregon Health & Science University	-	-	-	11,500	3	1.06
Fred Meyer Stores	8,000 ¹	2	0.82	8,500	4	0.78
Kaiser Foundation Health Plan	6,862	3	0.70	8,221	5	0.76
Legacy Health System	5,055 ¹	6	0.52	8,196	6	0.75
City of Portland	-	-	0.00	7,996	7	0.74
Nike Inc.	4,773	7	0.49	7,648	8	0.70
State of Oregon	-	-	-	7,180	9	0.66
Beaverton School District	-	-	-	5,000	10	0.46
Safeway Inc., Portland Division	3,085	10	0.31	-	-	-
US Bancorp	5,592	5	0.57	-	-	-
Freightliner Corp.	4,229	9	0.43	-	-	-
Tektronix Inc	4,770	8	0.49	-	-	-
Subtotal of Ten Largest Employers	58,218		5.95	95,620		8.80
All Other Employers	922,582		94.05	990,043		91.20
Total Portland PMSA ² Employment	980,800		100.00%	1,085,663 ³		100.00%

¹ Number of employees is listed as FTE (full-time equivalent)

² Portland PMSA includes Clackamas, Columbia, Multnomah, Washington, and Yamhill counties in Oregon and Clark County, Washington.

³ As of June 2007

Sources:

Portland Business Alliance, Book of Lists published for 2007 & 1997. Information for 1998 was unavailable at time of printing.
Oregon Employment Department, Workforce and Economic Research

Schedule 14
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Full-time Equivalent District Employees by Assignment/Function
Last Three Fiscal Years

Assignment/Function	Full-time Equivalent Employees for the Fiscal Year		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Teachers and Aides	3,330.6	3,078.1	3,391.8
School Staff and Student Support	1,011.8	972.4	726.2
Operations Staff	433.9	401.5	412.1
Central Administration	271.6	266.2	385.5
Total FTE	5,047.9	4,718.2	4,915.6

Note: The coding and categorization used by the State in the collection of this data changed dramatically for the 2006-07 submission. As a result this table is more aggregated than in the prior year.

Source: PPS Data and Policy Analysis

Schedule 15
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Meal and Transportation Services Provided
Last Five Fiscal Years

	<u>2003</u>		<u>2004</u>		<u>2005</u>		<u>2006</u>		<u>2007</u>	
Nutrition Services										
Number of Meals Served ¹										
Paid Meals	1,378,222	21%	1,216,355	19%	1,187,985	19%	1,347,109	22%	1,333,234	22%
Reduced Meals	543,040	8%	505,683	8%	472,370	8%	514,748	8%	481,156	8%
Free Meals	4,759,912	71%	4,695,517	73%	4,454,440	73%	4,250,527	70%	4,155,965	70%
	<u>6,681,174</u>	<u>100%</u>	<u>6,417,555</u>	<u>100%</u>	<u>6,114,795</u>	<u>100%</u>	<u>6,112,384</u>	<u>100%</u>	<u>5,970,355</u>	<u>100%</u>
Average Daily Breakfast Served	18,454		18,524		16,376		14,782		14,017	
Average Daily Lunch Served	19,616		18,515		18,107		19,798		20,164	
Student Participation	45.48%		45.20%		43.65%		50.17%		53.46%	
Transportation										
Number of buses	263		258		245		234		241	
Total miles traveled	3,462,902		3,270,179		2,985,868		2,635,510		2,848,220	
Cost per mile	\$ 3.51		\$ 3.77		\$ 3.87		\$ 4.38		\$ 5.09	
Area encompassed by										
District (sq mi)	160		160		160		160		160	

¹ Number of meals served includes breakfast, lunch, snack, and supper

²

Student Participation percentage is calculated based on the average daily lunches served at elementary schools, middle schools, and high schools, over the average daily attendance (enrollment adjusted per industry factors) at the schools where nutrition services meals are served.

Sources: District Nutrition Services and Transportation departments

Schedule 16
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
School Building and Student Enrollment Information
Last Ten Fiscal Years

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Elementary Schools and Programs										
Abernethy (1924)										
Gross Floor Area (sq ft): 50,358										
Elementary Enrollment	202	209	185	198	204	213	199	203	366	357
Focus/Alt Prog Enrollment	190	182	185	190	218	225	233	-	-	-
Ainsworth w/Annex (1912)										
Gross Floor Area (sq ft): 57,593										
Elementary Enrollment	530	547	565	552	549	557	522	499	492	509
Alameda (1921)										
Gross Floor Area (sq ft): 64,138										
Elementary Enrollment	696	685	652	641	622	648	631	630	669	678
Arleta (1929)										
Gross Floor Area (sq ft): 76,489										
Elementary Enrollment	438	407	387	369	352	339	330	332	313	370
Astor (1949)										
Gross Floor Area (sq ft): 47,360										
Elementary Enrollment	380	354	349	352	337	311	283	287	279	331
Atkinson (1953)										
Gross Floor Area (sq ft): 58,057										
Elementary Enrollment	521	533	545	566	543	536	537	553	558	549
Beach (1928)										
Gross Floor Area (sq ft): 70,404										
Elementary Enrollment	722	718	637	553	504	468	411	419	414	412
Boise-Eliot (1926)										
Gross Floor Area (sq ft): 61,369										
Elementary Enrollment	696	676	696	685	672	647	584	523	461	415
Bridger (1951)										
Gross Floor Area (sq ft): 45,142										
Elementary Enrollment	261	284	301	284	309	431	378	387	388	421
Bridlemile (1956)										
Gross Floor Area (sq ft): 59,037										
Elementary Enrollment	491	490	475	477	449	436	460	450	459	458
Buckman (1922)										
Gross Floor Area (sq ft): 82,023										
Elementary Enrollment	525	547	563	536	530	534	526	529	537	506
Capitol Hill (1917)										
Gross Floor Area (sq ft): 47,275										
Elementary Enrollment	325	331	305	285	310	308	282	255	335	341
Chapman (1923)										
Gross Floor Area (sq ft): 62,962										
Elementary Enrollment	547	550	558	513	527	484	449	414	453	478
Chief Joseph (1949)										
Gross Floor Area (sq ft): 46,204										
Elementary Enrollment	373	362	326	320	298	287	266	234	393	359
Clarendon (1970)										
Gross Floor Area (sq ft): 42,958										
Elementary Enrollment	439	455	456	417	393	416	338	339	325	401

Schedule 16
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
School Building and Student Enrollment Information
Last Ten Fiscal Years (continued)

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Clark (1955)										
Gross Floor Area (sq ft): 50,595										
Elementary Enrollment	553	545	537	531	532	556	515	499	500	508
Creston w/ Annex (1946)										
Gross Floor Area (sq ft): 80,940										
Elementary Enrollment	378	380	398	361	353	327	301	246	290	309
Duniway (1926)										
Gross Floor Area (sq ft): 67,492										
Elementary Enrollment	446	430	416	419	431	432	453	443	443	446
Faubion (1950)										
Gross Floor Area (sq ft): 57,846										
Elementary Enrollment	350	318	319	334	302	299	272	269	309	332
Forest Park (1998)										
Gross Floor Area (sq ft): 42,000										
Elementary Enrollment	-	184	226	284	334	377	407	456	517	508
Glencoe (1923)										
Gross Floor Area (sq ft): 64,378										
Elementary Enrollment	468	451	453	430	449	424	430	442	510	498
Grout (1927)										
Gross Floor Area (sq ft): 65,838										
Elementary Enrollment	393	364	354	323	295	248	314	320	310	333
Hayhurst (1954)										
Gross Floor Area (sq ft): 56,266										
Elementary Enrollment	360	294	288	259	271	259	212	353	358	345
Hollyrood (1959)										
Gross Floor Area (sq ft): 15,701										
Elementary Enrollment	197	213	186	196	191	208	225	211	215	210
Humboldt (1959)										
Gross Floor Area (sq ft): 46,865										
Elementary Enrollment	416	405	343	325	326	283	257	255	270	240
Irvington (1932)										
Gross Floor Area (sq ft): 65,285										
Elementary Enrollment	576	562	501	511	510	506	491	473	445	473
James John (1929)										
Gross Floor Area (sq ft): 63,697										
Elementary Enrollment	643	625	618	592	564	551	514	481	458	459
Kelly w/ Kelly Center (1957)										
Gross Floor Area (sq ft): 97,546										
Elementary Enrollment	578	585	554	526	481	491	491	478	484	439
King (1925)										
Gross Floor Area (sq ft): 88,957										
Elementary Enrollment	793	760	732	733	710	583	544	525	491	458
Laurelhurst (1923)										
Gross Floor Area (sq ft): 46,204										
Elementary Enrollment	557	536	512	526	526	561	561	558	581	561
Lee (1952)										
Gross Floor Area (sq ft): 73,276										
Elementary Enrollment	422	402	391	409	408	419	387	333	309	354

Schedule 16
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
School Building and Student Enrollment Information
Last Ten Fiscal Years (continued)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Lent (1948)										
Gross Floor Area (sq ft): 76,478										
Elementary Enrollment	376	390	397	401	400	383	335	355	366	400
Lewis (1952)										
Gross Floor Area (sq ft): 48,380										
Elementary Enrollment	281	270	263	292	294	294	289	271	301	293
Llewellyn (1928)										
Gross Floor Area (sq ft): 50,651										
Elementary Enrollment	360	362	330	336	311	315	302	298	301	309
Maplewood (1948)										
Gross Floor Area (sq ft): 35,022										
Elementary Enrollment	290	304	295	305	309	279	288	285	315	307
Markham (1950)										
Gross Floor Area (sq ft): 82,794										
Elementary Enrollment	336	395	393	370	358	333	330	301	398	359
Focus/Alt Prog Enrollment	85	-	-	-	-	-	-	-	-	-
Marysville (1921)										
Gross Floor Area (sq ft): 53,490										
Elementary Enrollment	397	416	397	400	395	394	367	349	336	368
Ockley Green (1925)										
Gross Floor Area (sq ft): 71,937										
Middle School Enrollment	587	519	486	408	490	475	427	385	318	442
Peninsula (1952)										
Gross Floor Area (sq ft): 70,151										
Elementary Enrollment	301	293	331	323	328	333	293	271	254	299
Rieke (1959)										
Gross Floor Area (sq ft): 30,647										
Elementary Enrollment	281	284	278	288	307	266	276	266	267	280
Rigler (1931)										
Gross Floor Area (sq ft): 59,760										
Elementary Enrollment	576	544	506	525	492	474	489	466	442	538
Rosa Parks (Ball) (1948)										
Gross Floor Area (sq ft): 24,594										
Elementary Enrollment	299	350	333	318	309	312	226	228	271	435
Rose City Park (1921)										
Gross Floor Area (sq ft): 75,693										
Elementary Enrollment	551	529	510	467	470	489	446	433	429	406
Sabin (1927)										
Gross Floor Area (sq ft): 71,946										
Elementary Enrollment	543	460	415	394	370	292	393	413	422	429
Scott (1949)										
Gross Floor Area (sq ft): 62,681										
Elementary Enrollment	581	539	520	492	512	457	442	377	369	440
Sitton (1949)										
Gross Floor Area (sq ft): 58,762										
Elementary Enrollment	417	423	404	436	421	371	359	338	300	285
Skyline (1939)										
Gross Floor Area (sq ft): 37,245										
Elementary Enrollment	311	225	221	203	209	201	214	197	201	233

Schedule 16
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
School Building and Student Enrollment Information
Last Ten Fiscal Years (continued)

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Stephenson (1964)										
Gross Floor Area (sq ft): 40,539										
Elementary Enrollment	396	406	385	369	393	353	352	348	325	310
Sunnyside (1925)										
Gross Floor Area (sq ft): 54,361										
Elementary Enrollment	331	313	319	325	334	276	203	459	443	501
Vernon (1931)										
Gross Floor Area (sq ft): 72,323										
Elementary Enrollment	560	548	521	502	445	405	445	386	384	404
Vestal (1929)										
Gross Floor Area (sq ft): 66,378										
Elementary Enrollment	284	258	243	241	227	367	344	322	294	343
Whitman (1954)										
Gross Floor Area (sq ft): 69,755										
Elementary Enrollment	432	413	417	453	475	433	431	421	404	384
Woodlawn (1926)										
Gross Floor Area (sq ft): 61,595										
Elementary Enrollment	538	582	517	547	518	460	443	409	531	450
Woodmere (1954)										
Gross Floor Area (sq ft): 59,293										
Elementary Enrollment	485	491	488	474	503	490	477	458	449	422
Woodstock (1955)										
Gross Floor Area (sq ft): 69,135										
Elementary Enrollment	354	320	322	337	372	364	345	343	338	384
Middle Schools and Programs										
Beaumont (1926)										
Gross Floor Area (sq ft): 94,431										
Middle School Enrollment	710	670	629	631	670	610	577	542	536	500
Binnsmead (1949)										
Gross Floor Area (sq ft): 109,059										
Middle School Enrollment	709	646	647	699	735	769	687	687	680	484
Fernwood (1911)										
Gross Floor Area (sq ft): 74,963										
Middle School Enrollment	567	556	591	575	608	632	644	582	466	347
George (1950)										
Gross Floor Area (sq ft): 78,713										
Middle School Enrollment	561	571	555	549	558	546	467	473	403	383
Gray (1951)										
Gross Floor Area (sq ft): 60,624										
Middle School Enrollment	537	523	507	508	526	533	497	520	496	457
Gregory Heights (1923)										
Gross Floor Area (sq ft): 95,438										
Middle School Enrollment	781	769	781	812	821	740	718	630	691	471
Hosford (1925)										
Gross Floor Area (sq ft): 77,050										
Middle School Enrollment	482	434	431	426	374	386	377	405	448	476

Schedule 16
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
School Building and Student Enrollment Information
Last Ten Fiscal Years (continued)

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Jackson (1964)										
Gross Floor Area (sq ft): 247,779										
Middle School Enrollment	770	842	808	796	807	823	768	773	694	688
Kellogg (1917)										
Gross Floor Area (sq ft): 94,592										
Middle School Enrollment	667	635	645	645	667	671	633	591	482	269
Lane (1926)										
Gross Floor Area (sq ft): 87,438										
Middle School Enrollment	770	658	657	678	696	652	638	592	553	527
Mt. Tabor (1952)										
Gross Floor Area (sq ft): 83,076										
Middle School Enrollment	732	678	672	670	700	707	729	696	676	633
Portsmouth (1927)										
Gross Floor Area (sq ft): 75,814										
Middle School Enrollment	459	460	403	434	489	522	466	460	429	286
Sellwood (1913)										
Gross Floor Area (sq ft): 86,823										
Middle School Enrollment	567	542	533	584	602	619	593	603	564	515
Tubman w/ Annex (1952)										
Gross Floor Area (sq ft): 96,860										
Middle School Enrollment	518	508	565	541	517	463	373	294	273	131
West Sylvan (1953)										
Gross Floor Area (sq ft): 104,009										
Middle School Enrollment	876	881	878	907	915	947	897	884	878	896
High Schools and Programs										
Benson (1917)										
Gross Floor Area (sq ft): 410,910										
High School Enrollment	1,455	1,457	1,486	1,475	1,479	1,501	1,498	1,501	1,452	1,294
Focus/Alt Prog Enrollment	24	-	-	-	-	-	10	20	15	10
Cleveland (1929)										
Gross Floor Area (sq ft): 253,895										
High School Enrollment	1,232	1,255	1,242	1,322	1,366	1,381	1,388	1,332	1,449	1,472
Franklin (1915)										
Gross Floor Area (sq ft): 237,027										
High School Enrollment	1,564	1,547	1,464	1,488	1,470	1,460	1,528	1,547	1,404	1,283
Grant (1923)										
Gross Floor Area (sq ft): 275,173										
High School Enrollment	1,767	1,907	1,912	1,794	1,798	1,848	1,835	1,848	1,815	1,691
Focus/Alt Prog Enrollment	113	99	90	83	82	100	98	76	91	-
Jefferson (1909)										
Gross Floor Area (sq ft): 360,911										
High School Enrollment	985	916	842	892	855	826	702	661	647	566
Lincoln (1950)										
Gross Floor Area (sq ft): 236,893										
High School Enrollment	1,338	1,357	1,304	1,374	1,469	1,429	1,483	1,444	1,485	1,498
Madison (1955)										
Gross Floor Area (sq ft): 370,112										
High School Enrollment	1,243	1,239	1,236	1,241	1,204	1,261	1,194	1,063	983	936

Schedule 16
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
School Building and Student Enrollment Information
Last Ten Fiscal Years (continued)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Marshall (1959)										
Gross Floor Area (sq ft): 271,427										
High School Enrollment	1,277	1,348	1,332	1,278	1,222	1,102	949	906	955	860
Roosevelt w/ Auto Shop (1921)										
Gross Floor Area (sq ft): 274,478										
High School Enrollment	1,205	1,118	1,155	1,131	1,141	989	825	850	778	794
Focus/Alt Prog Enrollment	63	-	-	-	-	-	-	-	-	-
Wilson (1954)										
Gross Floor Area (sq ft): 326,062										
High School Enrollment	1,503	1,514	1,576	1,614	1,644	1,630	1,580	1,531	1,632	1,556
Facilities with Focus/Alternative Programs										
Brooklyn (1930)										
Gross Floor Area (sq ft): 39,084										
Elementary Enrollment	211	187	139	156	140	121	-	-	-	-
Focus/Alt Prog Enrollment	139	143	165	159	169	167	254	296	339	344
daVinci (Monroe) (1928)										
Gross Floor Area (sq ft): 99,219										
Focus/Alt Prog Enroll. (daVinci)	221	312	318	316	319	320	327	350	380	444
Focus/Alt Prog Enroll. (other)	172	65	61	43	46	35	-	23	22	9
Meek (1953)										
Gross Floor Area (sq ft): 32,477										
Elementary Enrollment	249	260	242	198	198	219	-	-	-	-
Focus/Alt Prog Enrollment	-	-	-	-	-	-	158	146	117	-
Metropolitan Learning Center (Couch) (1914)										
Gross Floor Area (sq ft): 68,135										
Focus/Alt Prog Enrollment	490	426	426	419	418	420	432	439	447	439
Richmond (1908)										
Gross Floor Area (sq ft): 77,070										
Elementary Enrollment	521	508	490	477	470	443	415	393	309	360
Enrollment in other Focus/Alt. Programs										
Focus/Alt Prog Enroll. (Alliance HS)	-	-	-	-	-	-	-	-	-	366
Focus/Alt Prog Enroll. (Head Start)	569	574	566	606	527	620	539	528	625	606
Focus/Alt Prog Enroll. (other)	151	141	49	59	32	9	-	-	-	-
Administrative and Other Facilities										
Applegate (1954)										
Gross Floor Area (sq ft): 26,101										
Elementary Enrollment	269	252	242	203	212	209	198	138	-	-
BESC (1978)										
Gross Floor Area (sq ft): 381,723										
Child Service Center (1924)										
Gross Floor Area (sq ft): 190,597										
Focus/Alt Prog Enrollment	82	44	49	42	-	-	-	-	-	-
Columbia Holding (1937)										
Gross Floor Area (sq ft): 37,746										
Columbia Bus Barn Bldg (na)										
Gross Floor Area (sq ft): 9,600										
Columbia Bus Parking (portable) (na)										
Gross Floor Area (sq ft): 960										

Schedule 16
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
School Building and Student Enrollment Information
Last Ten Fiscal Years (continued)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Edwards (1960)										
Gross Floor Area (sq ft): 20,502										
Elementary Enrollment	228	216	201	218	212	202	189	199	-	-
Foster (1962)										
Gross Floor Area (sq ft): 12,462										
Glenhaven Vocational Village (1913)										
Gross Floor Area (sq ft): 63,714										
Focus/Alt Prog Enrollment	190	198	205	192	160	188	-	-	-	-
Green Thumb (1974)										
Gross Floor Area (sq ft): 32,767										
Holladay Center w/ Annex (1970)										
Gross Floor Area (sq ft): 61,457										
Kenton (1913)										
Gross Floor Area (sq ft): 52,363										
Elementary Enrollment	245	240	250	249	233	252	225	166	-	-
King Neighborhood Facility (1974)										
Gross Floor Area (sq ft): 9,200										
Mallory Site (portables) (na)										
Gross Floor Area (sq ft): 2,048										
Masonic Temple At Jefferson (na)										
Gross Floor Area (sq ft): 16,245										
Rice (1955)										
Gross Floor Area (sq ft): 16,990										
Sacajawea (1952)										
Gross Floor Area (sq ft): 18,751										
Smith (1958)										
Gross Floor Area (sq ft): 38,472										
Elementary Enrollment	285	254	239	234	252	251	238	219	-	-
Sylvan (1933)										
Gross Floor Area (sq ft): 24,986										
Terwilliger (1916)										
Gross Floor Area (sq ft): 24,646										
Whitaker/Adams - Killingsworth (1967)										
Gross Floor Area (sq ft): 268,899										
Middle School Enrollment	764	705	703	-	-	-	-	-	-	-
Whitaker Lakeside Holding (1953)										
Gross Floor Area (sq ft): 63,501										
Middle School Enrollment	-	-	-	675	482	441	357	289	-	-
Wilcox (1959)										
Gross Floor Area (sq ft): 19,102										
Elementary Enrollment	188	173	185	195	197	-	-	-	-	-
Youngson (1955)										
Gross Floor Area (sq ft): 32,824										
Elementary Enrollment	220	187	197	185	177	-	-	-	-	-

Schedule 16
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
School Building and Student Enrollment Information
Last Ten Fiscal Years (continued)

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Enrollment Summary:										
Regular Programs										
Elementary Schools	26,038	25,605	24,814	24,351	24,145	23,209	21,936	21,497	21,390	22,079
Middle Schools	10,470	10,078	10,005	10,130	10,167	10,061	9,421	9,021	8,269	7,063
High Schools	13,569	13,658	13,549	13,609	13,648	13,427	12,982	12,683	12,600	11,950
Focus/Alternative Programs	3,010	2,692	2,604	2,586	2,441	2,527	2,466	2,271	2,345	2,578
Plus enrollment not normally within PPS facilities:										
Community Based Programs	1,466	1,673	1,706	1,416	1,297	1,381	1,270	1,171	1,308	1,303
Special Education Programs	2,112	2,169	2,117	2,311	2,330	2,170	462	562	525	548
Public Charter Programs	-	-	-	66	122	194	346	451	571	824
Total Enrollment	56,665	55,875	54,795	54,469	54,150	52,969	48,883	47,656	47,008	46,345

		<u>Age of buildings (in years)</u>		
		<u>Oldest</u>	<u>Median</u>	<u>Newest</u>
Gross Floor Area (sq ft) Summary:				
Elementary Schools	3,257,865	95	61	9
Middle Schools	1,466,669	96	80	43
High Schools	3,016,888	98	81	48
Focus/Alternative Schools	315,985	99	79	54
Other Facilities	<u>1,425,656</u>	94	52	29
Total Gross Floor Area (sq ft)	<u>9,483,063</u>	99	59	9

Sources:

Gross Floor Area - PPS Facilities and Asset Management "Gross Floor Areas, Site Areas, and Year of Construction for Original Building on Site"; Rel. March 4, 2003. Gross area includes portables, fieldhouses, and tunnels; no unfinished attic space is included.

Enrollment - PPS Budget Office/Management Information Services, "Enrollment Summaries, October 2006". Enrollment counts are compiled on or about the first of October. An enrolled student is defined as a student who attends one or more schools or programs within the District. Regardless of the number of schools or programs attended, each student is counted only once; the counts are unduplicated.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.



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**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

November 30, 2007

Board of Directors
School District No. 1J, Multnomah County
Portland, Oregon

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 1J, Multnomah County, Oregon (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our report relating to compliance and internal control over financial reporting follows this report.

ACCOUNTING RECORDS

We found the District's accounting records adequate for audit.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2007.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2007, the District was in compliance with ORS 294 as it pertains to investment of public funds.

LEGAL REQUIREMENTS RELATING TO DEBT

The general obligation bonded debt of the District is in compliance with the limitation imposed by ORS 328.245. We noted no defaults in principal, interest, sinking fund or redemption provisions with respect to any of the District's liabilities and no breach of the bond agreements at June 30, 2007.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS (Continued)**

Page 2

BUDGET COMPLIANCE

The District appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2007, and the preparation and adoption of its budget for the year ending June 30, 2008, with the following exceptions:

- Expenditures exceeded appropriations as follows:

General Fund:	
Facilities Acquisition and Construction	\$1,691,487
Grant Fund:	
Instruction	\$829,966

At June 30, 2007, the BESC Cafeteria Fund had a deficit fund balance of \$55,445.

A description of the budgeting process is included in the notes to the basic financial statements.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2007. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering the District-owned property at June 30, 2007.

PUBLIC CONTRACTS

The District's procedures for awarding public contracts were reviewed and found to be in accordance with ORS Chapter 279.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

Our reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* and compliance with requirements applicable to each major program and internal control over compliance and other matters in accordance with OMB A-133 and the Schedule of Expenditures of Federal Awards are contained in a separate report dated November 30, 2007.

FINANCIAL REPORTING REQUIREMENTS

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

HIGHWAY FUNDS

The District does not receive revenue from taxes on motor vehicle fuel, therefore compliance with the legal requirements pertaining to highway funds is not applicable to the District.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS (Continued)**

Page 3

AVERAGE DAILY MEMBERSHIP

We have reviewed average daily membership information supplied to the State of Oregon Department of Education. This data was in substantial agreement with the District's records.

* * * * *

This report is intended for the information of the Board of Directors, management, the Oregon Secretary of State Audits Division, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 

Timothy R. Gillette, Partner



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**INDEPENDENT AUDITOR'S 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**

November 30, 2007

To the Board of Education
School District No. 1J, Multnomah County, Oregon
Portland, Oregon

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of School District No. 1J, Multnomah County, Oregon, (the District), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

- Long-term notes receivable and related deferred revenue balances were not recorded on the General Fund Balance Fund Balance Sheet.
- Recorded budget transfers in the financial reporting system and financial statements were not in agreement with the adopted budget appropriations.
- Donated food commodities were not recorded on the Cafeteria Fund Schedule of Revenue, Expenditures and Changes in Fund Balance.

**INDEPENDENT AUDITOR'S 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**

Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Compliance and Other Matters

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

* * * * *

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



Certified Public Accountants

Portland Public Schools Nondiscrimination Statement

Portland Public Schools recognizes the diversity and worth of all individuals and groups and their roles in society. All individuals and groups shall be treated with fairness in all activities, programs and operations, without regard to age, color, creed, disability, marital status, national origin, race, religion, sex, or sexual orientation.

Board of Education Policy 1.80.020-P

Contact Information for Civil Rights Matters

District Title VI & Title IX Contact:

Carolyn M. Leonard, Compliance Phone: 503-916-3183

District 504 Contact:

Carolyn M. Leonard, Compliance Phone: 503-916-3183

American Disabilities Act Contact:

Maureen Sloane, HR Legal Counsel Phone: 503-916-3025