

School District No. 1J, Multnomah County, Oregon

PORTLAND PUBLIC SCHOOLS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2009



Jefferson High School circa 1912-1915

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.

About the cover

Portland's ambition and dedication to history are evidenced in the innovative design of Jefferson High School, which was reputedly the largest high school in the world at its inception in 1909. The visionary planning goals of that era included education, fire safety and community; all very important goals that are still valued by teachers and students today.

The twelve acre Jefferson campus was acquired for \$157,920 and the massive Renaissance Revival style structure was constructed at a cost of \$321,078. As the oldest remaining high school in Portland, Jefferson has witnessed a century of change but still retains close associations with Humboldt and its surrounding neighborhoods.

Source of information: Blair Fitzgibbon, District Architect

Portland Public Schools

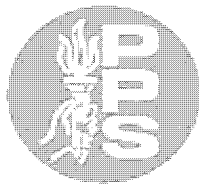
Comprehensive Annual Financial Report

For the year ended June 30, 2009

School District No. 1J, Multnomah County, Oregon

Portland, Oregon

Prepared by the Accounting and Payroll Services Department



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Comprehensive Annual Financial Report

For the Year Ended June 30, 2009

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Comprehensive Annual Financial Report

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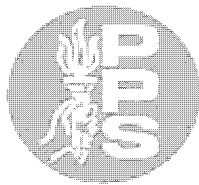
School Building and Student Enrollment Information 101

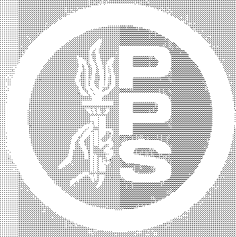
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
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PORTLAND PUBLIC SCHOOLS

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Carole Smith
Superintendent

OFFICE OF THE SUPERINTENDENT

December 7, 2009

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, 2009, 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 accounting principles generally accepted in the United States of America (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' 2008 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 supplementary 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 fifth 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 District's 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. 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. 669,186), Lake Oswego (estimated pop. 36,500), and Milwaukie (estimated pop. 20,800). The District maintains over 100 facilities with a total floor area of about 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 1, 2008 was 46,046. 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	Grade ranges ⁽¹⁾	Number of Programs	Enrollment	Enrollment Distribution
Regular Schools and Programs				
Elementary Schools	PK-7, PK-8, K-5, K-7, K-8, 1-8	57	25,124	55%
Middle Schools	6-8, 7-8	10	5,252	11%
High Schools	9-12, 6-9	14	11,033	24%
Total Regular Schools		81	41,409	90%
Magnet/Special Focus Programs	PK, K-12, 9-12, 10-12, 11-12	5	1,587	3%
Total Regular & Special Focus		86	42,996	93%
Community-Based Programs	9-12, 6-8, 6-12	26	1,282	3%
Special Education Programs	K-12	21	522	1%
Public Charter Programs	K-4, K-5, K-12, 6-8, 9-12	7	1,246	3%
Total Programs and Enrollment		140	46,046	100%

⁽¹⁾ Definitions: PK:Pre-Kindergarten. K:Kindergarten

Source: PPS; Enrollment Summaries, October 2008

Since 1997, the District has experienced yearly declines in enrollment, but in recent years the rate of decline has decreased and begun to stabilize. Based on enrollment counts in October 2008, total enrollment has declined by 42 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 42 students indicates that there has probably not been a major change in the current demographic situation. Preliminary October 2009 counts showed an increase of 700 students from last year. Portland Public Schools forecasts stable or slightly increasing enrollments over the next several years.

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 career/technical educational 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

At Portland Public Schools, student achievement is tracked by several measurements. In February 2009, the Superintendent and School Board adopted the Milestones Framework to focus attention on 5 critical measures of student progress. These are:

1. Enter 1st Grade Ready to Read
2. End of 3rd Grade Reading to Learn
3. Middle Years Ready for High School
4. Enter 10th Grade On Track to Graduate
5. Grade 12 Graduating On Time AND Ready for College & Work

The strategies to meet these expectations center on data-driven teaching aligned to rigorous standards, high expectations of all students at every level and involving the family and community to tighten the link between the classroom and home.

Student achievement in 2008-09 experienced modest increases over the 2007-08 achievement levels. Portland elementary schools had small increases in math and reading. Middle schools increased slightly in math with a moderate increase in reading. High schools showed increases in both reading and math.

Grade Level	Reading	Math
Elementary (grades 3-5)	83.4% met standards up 0.7 percentage points	80.8% met standards up 0.2 percentage points
Middle (grades 6-8)	78.2% met standards up 1.5 percentage points	78.6% met standards up 0.1 percentage points
High (grades 10-12)	66.2% met standards up 1.3 percentage points	57.7% met standards up 2.6 percentage points

Another indicator of student achievement is the state report cards issued by the Oregon Department of Education. The report cards assigned a rating of either "outstanding," "satisfactory" or "in need of improvement" to schools across the state based on student achievement, attendance, high school graduation rate, and percent of students tested on the state assessment tests. This was the first year for the new report card categories (in the past, there were five ratings: Exceptional, Strong, Satisfactory, Low and Unacceptable). Also for the first time, the rating of schools took into account individual growth and test scores.

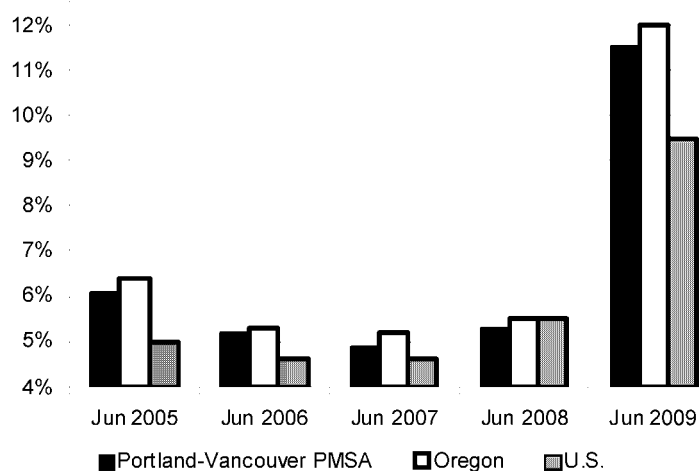
For 2008–09, 40 (45%) of District schools were rated Outstanding, 42 (48%) were rated Satisfactory, and 6 (7%) were rated In Need of Improvement. This compares with the state, where 34% were Outstanding, 61% were Satisfactory and 5% were In Need of Improvement. Because the rating categories changed from 2007–08 to 2008–09, it is inappropriate to think of schools as moving up or down from the prior year’s ratings.

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.

Oregon economy. Though the recessionary impact in Oregon has lagged behind the overall US economy, the impact has been more severe. Unemployment rose to an historic high of 12.0% in June 2009 (11.5% in the metropolitan Portland area) vs. 9.5% nationally. Housing saw a dramatic slowing in new construction coupled with a major downturn in value for existing homes. All of this has been a major factor in yet another reduction in State funding for education. Federal stimulus funding has replaced some lost State revenues but is not expected to continue beyond the next fiscal year. State economic forecasts expect a slow recovery with Oregon following national trends, though slower recovery in the Far East may delay that expectation. The same forecasts express slow population growth statewide, especially in the K-12 population.

Average Annual Unemployment Rates



Employment by Industry	June 2009	June 2008
Education, health services & hospitality	23%	22%
Trade, transportation & utilities	20%	24%
Government	15%	14%
Professional, business & other services	13%	13%
Information, financial & real estate	13%	9%
Manufacturing	11%	12%
Construction & mining	5%	6%
Total nonfarm workforce (in thousands)	984.9	1,043.9

Local economy. Portland, known as the “City of Roses”, and the surrounding metropolitan area have long had a widely diversified economy. Centralized locations, accessible schools and excellent transportation facilities have established the area as a major distribution point on the West Coast for wholesale trade and high tech exports. But, with the national recession now moving into its second year, local employment in most sectors shows a

shrinking workforce with a decline of about 6%. Interestingly, this past year education, health services and hospitality became the prevalent workforce sector in the Portland area.

Long-term financial planning. The average age of the District’s 82 school buildings is well over 60 years. As with older districts across the nation, Portland Public Schools has deferred maintenance for many years in favor of core instructional services. This has been in response to almost 20 years of reduced funding (in real terms) for K-12 education. In 2008-09 the Board of Education began to address the District’s sagging infrastructure by establishing the 21st Century Capital Projects Fund to oversee the development and implementation of a multi-year district-wide building renewal plan. The Board committed to interim capital projects funding in fiscal 2008-09 with \$25.8 million for roof replacements and other critical projects, and funding in fiscal 2009-10 of \$15.0 million for information technology upgrades. In October 2008, the Board adopted guiding principles to the District’s 2007 comprehensive

assessment of condition that will assist District and community to develop a comprehensive facilities plan. In 2008-09 the District completed ADA and historic designation assessments of its schools and expects to complete seismic studies of the schools in 2009-10.

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.

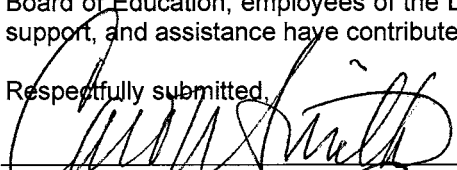
Awards and Acknowledgements

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, 2008. This was the 29th 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, 2008. This was the 29th 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 2009 CAFR, which will be submitted to ASBO for review, will also conform to these standards.

We wish to express our appreciation to Sharie Lewis, CPA, Bill Leidy, CPA, and the staff of Accounting and Payroll Services 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.

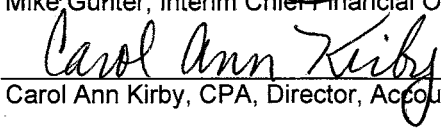
Respectfully submitted,



Carol Smith, Superintendent



Mike Gunter, Interim Chief Financial Officer



Carol Ann Kirby, CPA, Director, Accounting and Payroll Services

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON
Principal Officials
At June 30, 2009

SCHOOL BOARD

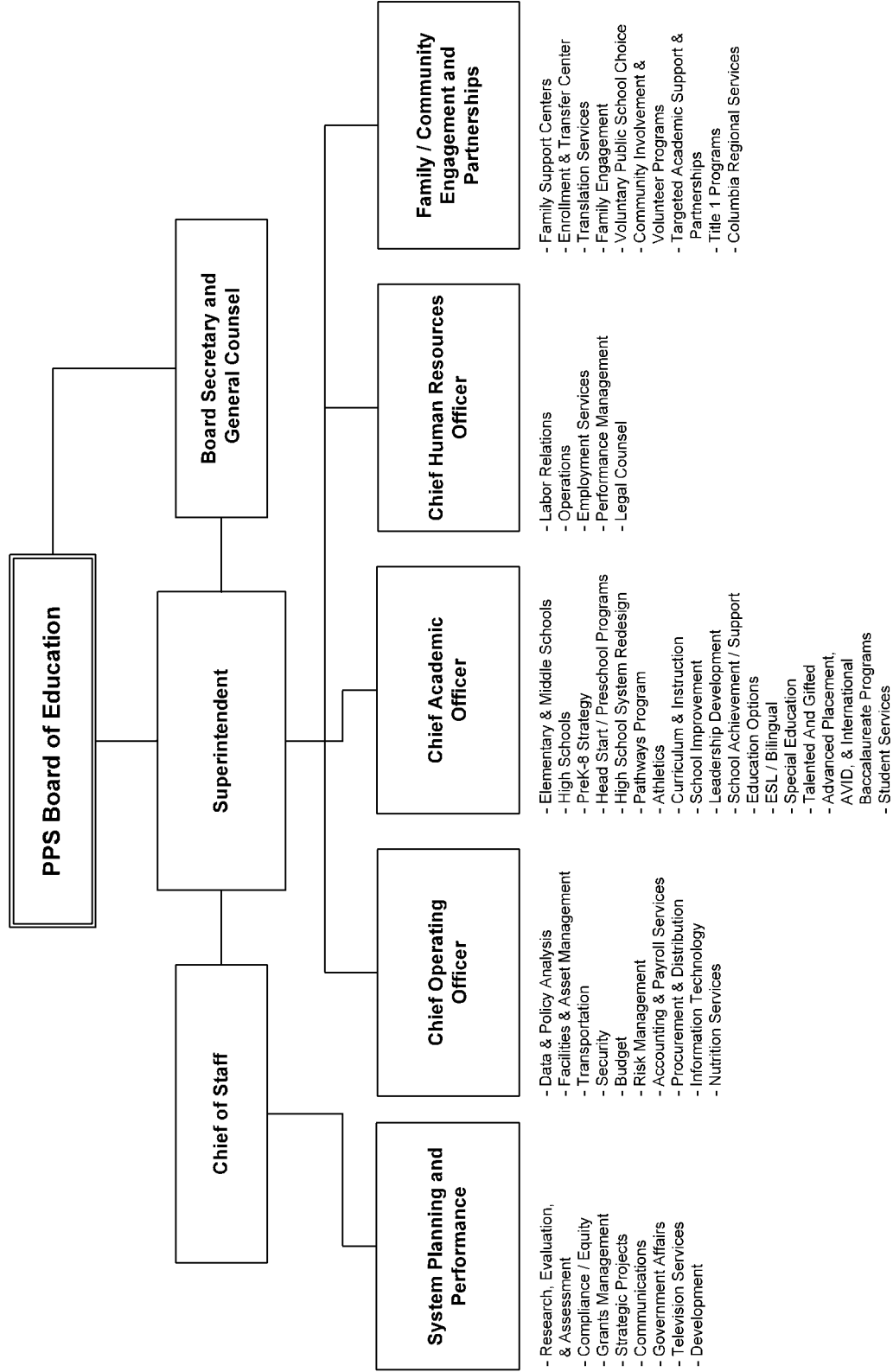
<u>Member</u>	<u>Zone</u>	<u>Term Expires</u>	<u>Phone</u>	<u>Email</u>
Ruth Adkins	1	June 30, 2011	503-351-9278	radkins@pps.k12.or.us
David Wynde	2	June 30, 2011	503-916-6153	dwynde@pps.k12.or.us
Bobbie Regan	3	June 30, 2011	503-292-0659	bregan@pps.k12.or.us
Martin Gonzalez	4	June 30, 2013	971-409-3245	mgonzalez@pps.k12.or.us
Sonja Henning ⁽¹⁾	5	June 30, 2009		
Trudy Sargent	6	June 30, 2013	503-916-6655	tsargent@pps.k12.or.us
Dilafruz Williams	7	June 30, 2011	503-775-2158	dwillia1@pps.k12.or.us

ADMINISTRATIVE STAFF

Carole SmithSuperintendent
Zeke Smith.....Chief of Staff
Mike Gunter, MBA ⁽²⁾ Chief Operating Officer, Interim
Heidi B. Franklin, CPA ⁽³⁾Chief Financial Officer
Evelyn Brzezinski, Ed. D ⁽⁴⁾Chief Academic Officer, Interim
Jollee Patterson, J.D.General Counsel

- ⁽¹⁾ School Board Member Pam Knowles was elected to represent Zone No. 5 with a four-year term commencing July 1, 2009 and ending June 30, 2013. Her phone is 503-312-7178 and her email is pknowles@pps.k12.or.us.
- ⁽²⁾ On May 15, 2009, Chief Operating Officer Cathy Minberg resigned and Mike Gunter served as the Interim Chief Operating Officer, until August 24, 2009 when the Superintendent appointed C. J. Sylvester, MSSN as the permanent Chief Operating Officer.
- ⁽³⁾ On July 2, 2009, Heidi B. Franklin, CPA, resigned and on August 24, 2009 the Superintendent appointed Mike Gunter as the Interim Chief Financial Officer.
- ⁽⁴⁾ On July 8, 2009, Xavier Botana, M Ed was appointed to fill the position as Chief Academic Officer.

Portland Public Schools ⁽¹⁾ 2008-2009



(1) As shown on the following page, Portland Public Schools completed a major re-organization that was implemented in July 2009.



Portland Public Schools

2009-2010 Organizational Structure

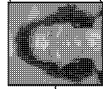
PPS Board of Education



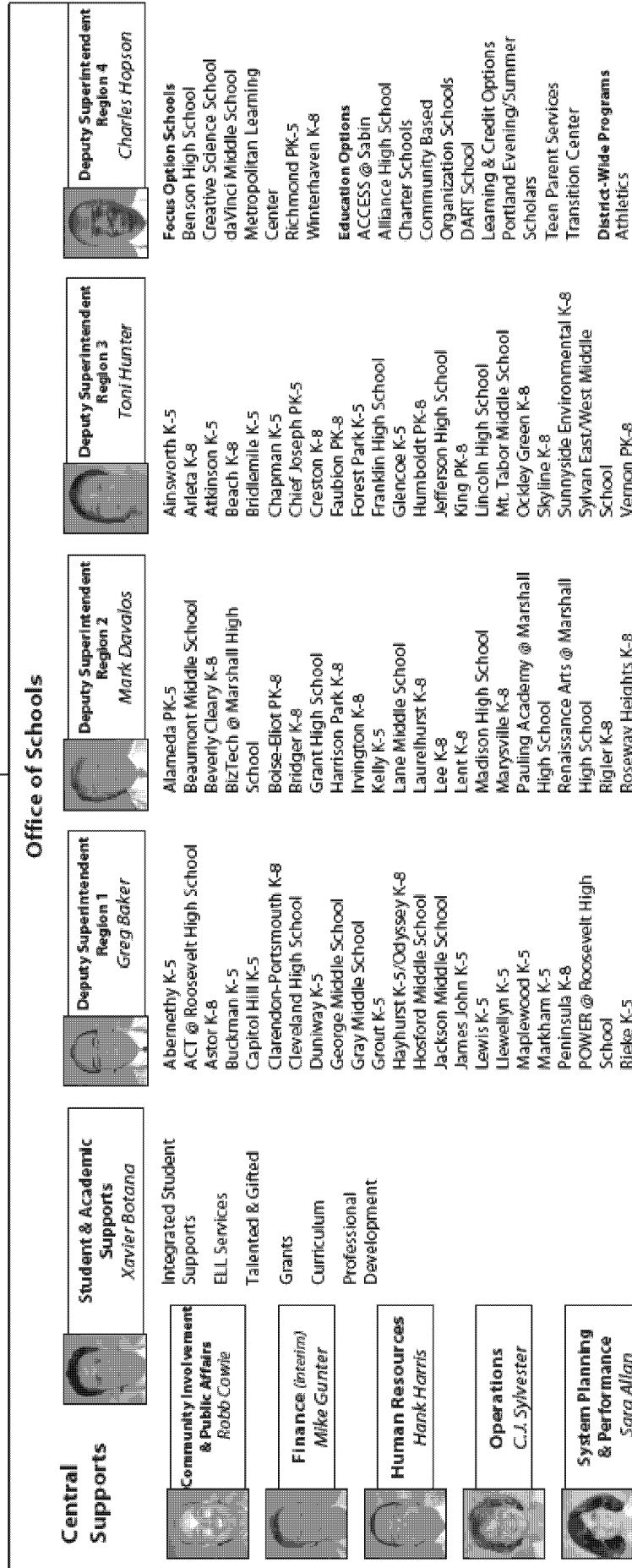
Chief of Staff
Zeke Smith



Superintendent of Schools
Carole Smith



Board Secretary / General Counsel
Joliee Patterson



Certificate of Achievement for Excellence in Financial Reporting

Presented to

School District No. 1J,
Multnomah County
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.1J, MULTNOMAH COUNTY, OREGON

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2008

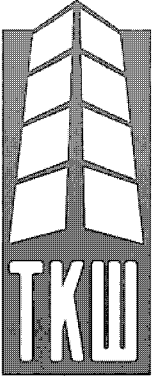
Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

Angela Pitman

President

John D. Quasar

Executive Director



INDEPENDENT AUDITOR'S REPORT

December 7, 2009

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

4800 SW Macadam Ave, Suite 400
Portland, Oregon 97239-3973

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F 503.274.2853

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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, 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2009, and the respective changes in financial position and the 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 December 7, 2009, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Board of Education
School District No. 1J, Multnomah County, Oregon
December 7, 2009
Page 2

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 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.

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 for the General, Grant and PERS Stabilization Reserve Funds and Other Postemployment Benefits Schedule of Funding Progress, 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 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 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, 2009. 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.

All dollar amounts, unless otherwise indicated, are expressed in thousands.

FINANCIAL HIGHLIGHTS

- ◆ Portland Public School's assets exceeded its liabilities at June 30, 2009 by \$231.9 million shown as net assets. Of that amount \$181.4 million was invested in capital assets net of related debt and \$50.5 million was unrestricted.
- ◆ Total net assets decreased during the year by \$5.9 million. A significant decrease from the prior year state school funding (\$18.2 million) was partially offset by \$10.2 million in new federal stimulus dollars. Other factors impacting the overall decrease in net assets are more fully described in this discussion and analysis.
- ◆ Although the District added no new long-term debt in the current year and it reduced outstanding debt by \$15.7 million, commitments by the Board to the 21st Century Capital Projects Fund will require new funding strategies.
- ◆ Many District buildings, such as Jefferson High School shown on the cover of this report, are reaching the century mark. The average building age of Portland Public Schools is significantly older than other Oregon school districts, and in response to an aging infrastructure, the Board of Education in February 2009 authorized a \$25.8 million loan from the General Fund to the 21st Century Capital Projects Fund.
- ◆ The District's annual increase in other post employment benefits under GASB Statement 45 was \$8.9 million. The prior year other post employment benefit obligation has been restated, and the prior year liability has been decreased by \$5.6 million. The restatement is reflected in the Basic Financial Statements on page 15, and is further explained in the Notes to the Basic Financial Statements on pages 30 and 41.

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 government-wide financial statements can be found on pages 14-15 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. Reports by fund and fund group are shown in the Financial Section of the report beginning on page 16.

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 (Deficit) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Portland Public Schools designates four 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 (Deficit) for the General Fund, the Grant Fund, the PERS Rate Stabilization Reserve Fund and the 21st Century Capital Projects Fund, all of which are considered to be major funds. Data from the other eight 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 the fund level budgets.

The basic governmental fund financial statements can be found on pages 16-20 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 government-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 21-23 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 24-44 of this report.

Required Supplementary Information (RSI) is located directly after the notes to the basic financial statements and represents the required comparison of the budget and actual results on the District's budgetary basis for the General Fund, the Grant Fund and the PERS Stabilization Reserve Fund. In addition the RSI discloses the actuarial estimate of funding progress of the District's other post employment healthcare benefits obligations. This information is on pages 45-52.

Supplementary Information (SI), presented on pages 53-82, includes combining statements for the nonmajor governmental funds, budgetary comparison schedules for nonmajor and other funds, and other financial schedules.

Government-Wide Financial Analysis

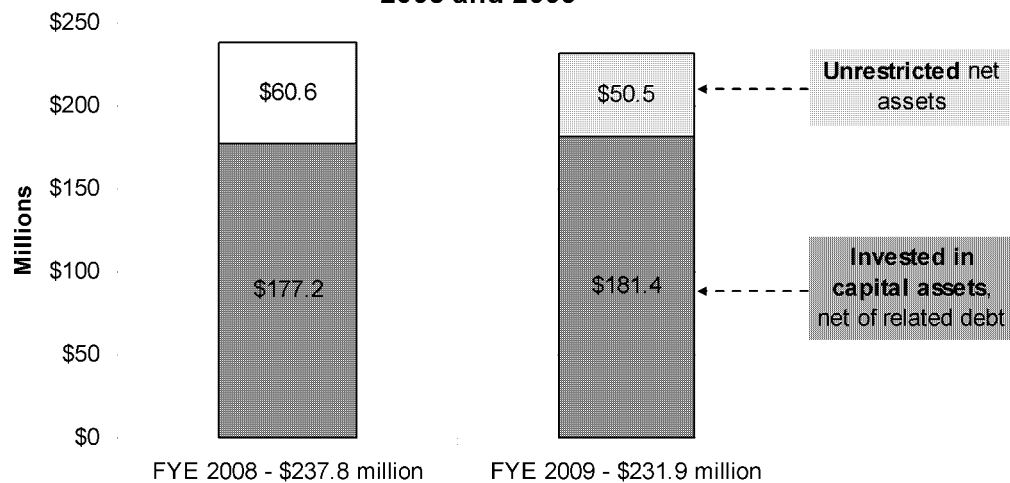
Analysis of Net Assets. The Statement of Net Assets presents information on all of the District's assets and liabilities with the difference between the two reported as net assets. Over time net assets may serve as a useful indicator of the District's financial position. Other indicators that can be useful in reviewing the District's financial health include enrollment trends, debt capacity and the condition of facilities.

Other liabilities and the liability for *Other post employment benefits* below have been restated for 2008 as explained in the Notes to the Basic Financial Statements, page 30.

Condensed Statement of Net Assets

	Government-wide Activities			
	2008 as restated	2009	Change	% change
Assets				
Current or other assets	\$ 175,282	\$ 175,091	\$ (191)	-0.1%
Prepaid pension costs	463,507	455,247	(8,260)	-1.8%
Net capital assets	187,312	185,571	(1,741)	-0.9%
Total Assets	<u>826,101</u>	<u>815,909</u>	<u>(10,192)</u>	-1.2%
Liabilities				
Other long-term liabilities outstanding	16,808	10,450	(6,358)	-37.8%
Limited tax pension bonds outstanding	468,163	459,756	(8,407)	-1.8%
Other liabilities	94,505	96,033	1,528	1.6%
Other post employment benefit obligation	<u>8,852</u>	<u>17,762</u>	<u>8,910</u>	100.7%
Total Liabilities	<u>588,328</u>	<u>584,001</u>	<u>(4,327)</u>	-0.7%
Net Assets				
Invested in capital assets, net of related debt	177,198	181,442	4,244	2.4%
Unrestricted	60,575	50,466	(10,109)	-16.7%
Total Net Assets	<u>\$ 237,773</u>	<u>\$ 231,908</u>	<u>\$ (5,865)</u>	-2.5%

GOVERNMENT-WIDE NET ASSETS 2008 and 2009



Net Assets - 2009 compared to 2008. Portland Public Schools is able to report positive balances in its government-wide net assets. As seen in the preceding chart, total net assets declined by \$5.9 million in 2009, or 2.5%. About 78% of the District's \$231.9 million in net assets (or \$181.4 million) is invested in capital assets (e.g., land, buildings, machinery, and equipment), less any outstanding related debt used to acquire those assets. This portion of net assets increased about \$4.2 million during the year, reflecting the Board's commitment to begin renewal of the Portland Public School's infrastructure. 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.

Unrestricted net assets have fallen \$10.1 million (16.7%) from \$60.6 million in 2008 to \$50.5 million in the current year. Several factors account for the overall decline, as explained in the financial highlights and activities analysis sections of this Management Discussion and Analysis.

Analysis of Activities. The Statement of Activities presents expenses and related revenues by program, showing how the District's net assets changed during the most recent fiscal year. The statement reports revenues earned and expenses incurred under the accrual basis of accounting, where 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 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 distinguishes 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). Portland Public Schools currently does not have any business-type activities. Additional detail regarding revenue and expense changes are presented below to provide a better understanding of the District's operations in 2009 compared to 2008.

Expenses for *Instruction, Support Services, Enterprise and community services, and Non-capital facilities maintenance and replacement*, shown below have been restated for 2008 as explained in the Notes to the Basic Financial Statements, page 30.

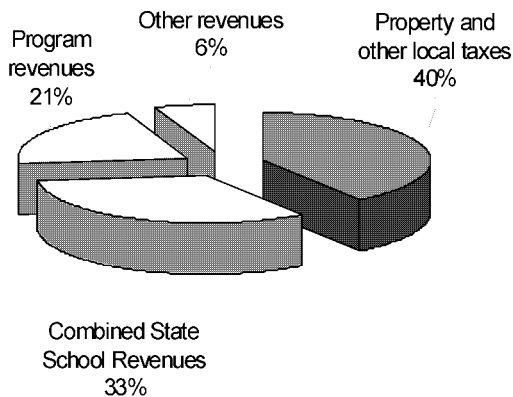
Revenues. Because the District's mission is to provide a free and appropriate public education for K-12 students within its boundaries, the District may not charge for its core services. The District does charge for non-core services such as facilities rentals, activities fees, lunches and kindergarten programs beyond the mandatory half-day class. Therefore, general revenues provide most of the funding required for governmental programs, primarily property taxes and State School Funds.

Expenses. Five broad programmatic categories are used to present expenses related to governmental activities. As is typical for a school district, Portland Public Schools activities include instruction, support services, enterprise and community services, non-capital facilities maintenance and replacement and interest and fees on long-term debt.

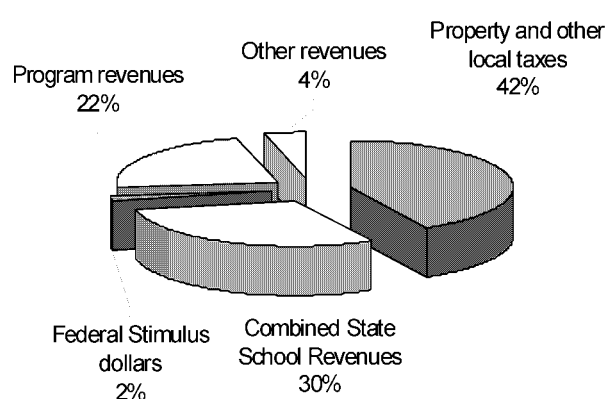
Statement of Activities

	Government-wide Activities				
	2008 as restated	2009	% of total 2009	Change	% of change
Revenues					
Program Revenues					
Charges for services	\$ 11,383	\$ 12,300	2.4%	\$ 917	8.1%
Operating grants and contributions	97,862	103,463	19.8%	5,601	5.7%
Total Program Revenues	109,245	115,763	22.1%	6,518	6.0%
General Revenues					
Property and other taxes	174,926	181,928	34.8%	7,002	4.0%
Local tax options	35,887	37,364	7.1%	1,477	4.1%
County and intermediate sources	15,511	10,271	2.0%	(5,240)	-33.8%
Construction excise tax	69	1,962	0.4%	1,893	2743.5%
State School Fund	168,438	151,376	28.9%	(17,062)	-10.1%
Common School Funds	4,864	3,717	0.7%	(1,147)	-23.6%
Federal stimulus funds	-	8,816	1.7%	8,816	-
Investment earnings	7,208	3,477	0.7%	(3,731)	-51.8%
Other	7,260	8,359	1.6%	1,099	15.1%
Gain on disposal of capital assets	39	104	0.0%	65	166.7%
Total General Revenues	414,202	407,374	77.9%	(6,828)	-1.6%
Total Revenues	523,447	523,137	100.0%	(310)	-0.1%
Expenses					
Instruction	311,474	306,993	58.0%	(4,481)	-1.4%
Support services	192,598	196,857	37.2%	4,259	2.2%
Enterprise and community services	15,750	16,653	3.1%	903	5.7%
Non-capital facilities maintenance and replacement	3,141	6,899	1.3%	3,758	119.6%
Interest and fees on long-term debt	1,814	1,600	0.3%	(214)	-11.8%
Total Expenses	524,777	529,002	100.0%	4,225	0.8%
Decrease in net assets	(1,330)	(5,865)	-2.5%	(4,535)	341.0%
Net assets - beginning of year	239,103	237,773	102.5%	(1,330)	-0.6%
Net assets - end of year	\$ 237,773	\$ 231,908	100.0%	\$ (5,865)	-2.5%

2008 Revenues - \$523.4 million



2009 Revenues - \$523.1 million



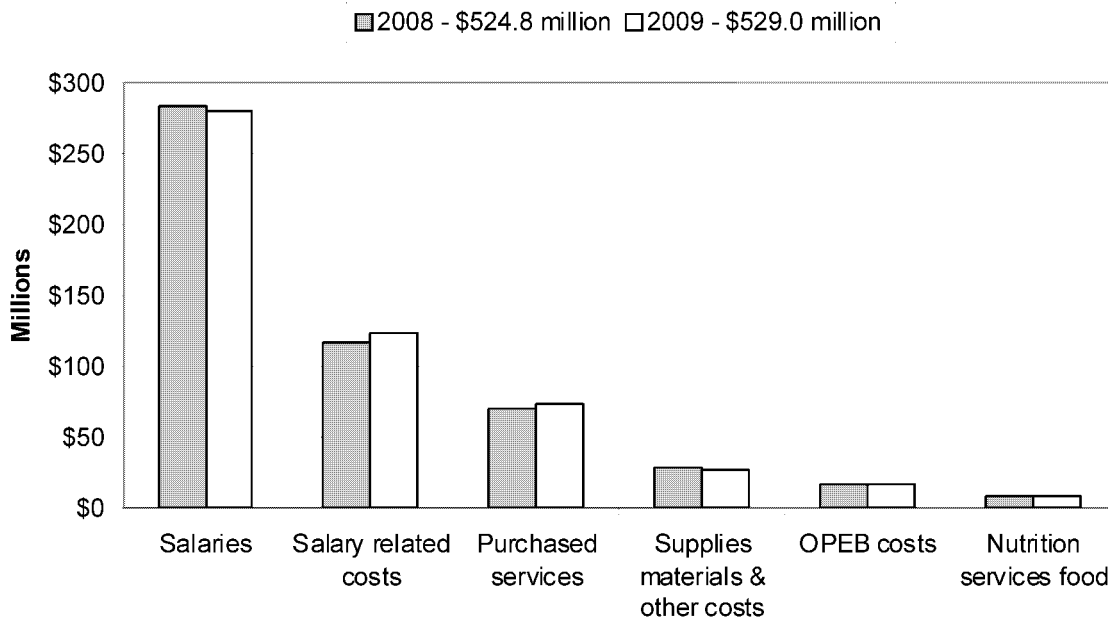
Revenues – 2009 compared to 2008. Total 2009 revenues decreased \$0.3 million from \$523.4 million to \$523.1 million. Evidence of revenue changes this year is seen in the decline in general revenues of \$6.8 million that was partially offset by an increase of \$6.5 million in program revenues. The most notable change in general revenues was that an \$18.2 million decrease in State School combined revenues was partially replaced by \$8.8 million from the federal stimulus program allocation that was enacted in February 2009. Declines in investment interest (\$3.7 million) and one-time local revenues (\$5.2 million) were offset by increases in property and local options taxes (\$8.5 million), construction excise taxes (\$1.9 million) and other revenues (\$1.1 million).

Charges for services make up 2.4% of total revenues, and experienced 8.1% growth over the prior period, largely due to increases in kindergarten, summer school and out-of-district student fees for service.

Operating grants and contributions represent 19.8% of the total revenues. Of the \$5.6 million increase in federal and state grants, \$1.4 million was the addition of federal stimulus dollars.

Expenses – 2009 compared to 2008. Total expenses rose by .8% or \$4.2 million, with increases in school support services (\$4.3 million) offset by reductions in instructional costs (\$4.5 million). The shift between the two categories reflects realignments to increase the effectiveness and efficiency of District programs as also seen in Schedule 14 of the Statistical Section (page 99). Instruction and support services account for over 95% of the District’s expenses in 2009, a slight decrease from 2008 of just over 96%. The District’s emphasis on updating its infrastructure to support 21st Century Schools can be seen in the \$3.8 million increase in non-capital facilities maintenance and replacement expenses.

Expenses by Function



Expenses by function. Salaries, the largest functional expense component, declined 1%, primarily due to the District decision to freeze cost of living increases. Employee benefits increased by \$8.4 million, primarily due to increased health insurance costs (\$4.6 million) and increased PERS UAL and other costs (\$3.8 million). Increases in purchased services (\$3.6 million), largely due to increased facilities and acquisitions in contractual services, were offset by consequent reductions in nutrition services food, and supplies materials & other costs (\$3.1 million).

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. The year's activities saw the General Fund's ending fund balance decrease by \$4.5 million to \$50.0 million, or a decrease of 8.3%. \$23.2 million of the \$50.0 million fund balance, or 46.5%, was unreserved. The remainder of \$26.7 million was reserved for interfund receivables (\$25.8 million), notes receivable (\$0.8 million) and prepaid items (\$0.1 million).

Due to deteriorating economic conditions during the year, General Fund revenues declined \$1.4 million. The primary cause for the revenue variance was the State reducing its combined State School funding for the year by \$19.4 million below the revised District budget. The District was able to offset the budgetary revenue loss with the receipt of unbudgeted federal stimulus funds (\$8.8 million), School Day Restoration (\$3.9 million) established by the 2009 Legislature to minimize cuts in the number of school days, and other amounts received in excess of budget in property and local taxes (\$0.5 million), charges for services and interest earnings (\$0.6 million) and other revenues and prior year recoveries (\$5.6 million).

Grant Fund. Of the \$74.5 million in grant funds received in 2008-09, \$70.2 million is attributable to federal and state grants. \$25.2 million represents funding for Title I and other federal 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 \$38.6 million was received for special education, Head Start, Striving Readers, Voluntary Public School Choice and Reading First Grants. Public and private-entity awards and other federal and state sources accounted for \$10.7 million which included Nike Schools Innovation Grants.

21st Century Capital Projects Fund. The creation of this fund was authorized by the Board of Directors in February 2009. The initial capital was provided by an interfund loan of \$25.8 million from the General Fund, which was authorized by the Board of Directors, with the intent of the Board to repay the loan to the General Fund no later than February, 2011. The 21st Century Schools Department and related capital projects fund have been initiated to develop the internal structures and external partnerships to renovate, modernize and/or rebuild the District's school buildings over the next several decades. To this end, it is anticipated the Board will, in the next year, discuss and determine the nature, extent and timing of a future capital bond measure proposed for voter approval.

PERS Rate Stabilization Reserve Fund. In fiscal 2004-05 the PERS Rate Stabilization Reserve Fund was established with transfers from the General Fund, and was meant 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

General Fund Budgetary Highlights

The budget was adjusted during the year to reflect changing priorities in achieving goals set forth in the District's strategic plan. The Board approved 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. Staffing realignment changes for the year were \$1.1 million and the beginning budgetary fund balance of \$29.0 million was realigned to agree to the prior year ending fund balance.
- \$2.2 million of the budgetary realignment was used to fund facilities acquisition and construction and support services.
- During the year the adopted budgets for State School Fund and Restricted State Grants revenues were adjusted downward by \$4.2 million in response to the State's announced reductions in funding.
- \$25.8 million was loaned to fund creation of the 21st Century Capital Projects Fund.

At June 30, 2009, the General Fund had a total fund balance of \$50.0 million, a decrease of \$4.5 million from June 30, 2008. Of this amount, \$26.7 million was reserved for receivables and prepaid items and \$23.3 million was unreserved.

Capital Assets 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, 2009, the District had invested \$185.6 million in capital assets, net of depreciation, as shown in the following table:

Capital assets	Government-wide Activities		
	2008	2009	% change 2008-09
Land	\$ 8,756	\$ 8,700	-0.6%
Buildings	312,667	316,796	1.3%
Vehicles and Equipment	35,251	36,122	2.5%
Construction in Progress	1,098	5,589	409.0%
less accumulated depreciation	(170,460)	(181,636)	6.6%
Capital assets, net of depreciation	<u>\$ 187,312</u>	<u>\$ 185,571</u>	<u>-0.9%</u>

During the year 2008-09, the District added \$9.5 million in capital assets and recorded \$11.2 million in depreciation, the net of the two events decreased net capital assets by \$1.7 million. Significant increases in construction in progress reflect the District's efforts to begin renewing the infrastructure of its school buildings by re-roofing several of its schools. Additional information on the District's capital assets can be found in Note 8 on page 34.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$484.8 million. Of this amount, \$459.8 million represents limited tax pension and refunding bonds, and \$25.1 million comprises debt backed by the full faith and credit of the District. The District's total debt decreased by \$15.7 million as debt was repaid without new long-term borrowing during the year.

Outstanding Long-Term Debt

	Government-wide Activities		
	2008	2009	% change 2008-09
Limited tax pension and refunding bonds	\$ 468,163	\$ 459,756	-1.8%
Other long-term debt	32,375	25,083	-22.5%
Total	<u>\$ 500,538</u>	<u>\$ 484,839</u>	<u>-3.1%</u>

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 \$6.27 billion. More information is available in Statistical Section Schedule 11 on page 96 of this report.

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"). PERS requires that school districts pay (or "amortize") this UAL over a period of 20 years (Tier1/Tier2 portion) and (RHIA portion) for 10 years, both 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 benefit of the savings is 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 35 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET:

- Planning for significant capital investment in the District's schools continues to be a major focus for the Board. This is expected to result in adoption of an interim facilities plan and a long-term facilities plan. The Board is considering financing strategies for these plans that are likely to include a capital bond levy, and has approved interim financing to fund work prior to passage of a levy.
- Portland-Vancouver unemployment rates have risen to historic highs in the last year. Local unemployment, a lagging indicator, has risen dramatically from 5.4% in June 2008 to 11.5% in 2009, which is well above the June 2009 national average unemployment rate of 9.5%. Current expectations are that recovery will be slow in the region and unemployment rates are predicted to remain higher than normal for a protracted period of time.
- The state's current budget, which includes school funding, faces greater uncertainties created by the weak economy. In addition, revenue measures approved by the Legislature have been referred to the voters for approval which, depending on the outcome, could decrease state funding by a significant amount.

- In 2011, District contributions to PERS will increase significantly due to an updated actuarial valuation that reflects the economic recession and resulting loss of investment income. Additionally, the remaining federal stimulus funds will be ending under the current program. When combined with on-going contract resolutions and questionable levels of continued state support, the District faces budget challenges to maintain and improve student learning and growth in the coming budgetary cycles.
- The District continues to negotiate with the Portland Association of Teachers (PAT), whose contract expired in June 2008. All other bargaining agreements have the following expiration dates:
 - Service Employees International Union (SEIU) – June 2010,
 - District Council of Unions (DCU) – June 2010,
 - Portland Federation of Teachers and Classified Employees (PFTCE) – June 2011 with a reopener in January 2009 of wages and benefits,
 - Amalgamated Transit Union (ATU) – June 2010.
- A three-year funding bill, known as the “Gap Tax”, was enacted by the Oregon Legislature in the 2006 special session. This incremental property tax levy provides about \$17 million annually to the District and was made permanent in a June 2009 Oregon legislative resolution, removing a level of uncertainty that has existed for several years.
- The District’s five-year Local Option Levy tax, which provides between \$33 and \$37 million per annum, will end in 2011-12.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of 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 Accounting and Payroll Services Department, 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.12.or.us, site shortcut: **Financial Statements**.

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Statement of Net Assets

June 30, 2009

(amounts expressed in thousands)

	Governmental Activities
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 96,167
Cash and cash equivalents held by fiscal agents	3,731
Investments	36,039
Accounts and other receivables	20,666
Property taxes and other taxes receivable	12,448
Inventories	1,500
Bond issue costs, net of accumulated amortization	3,672
Note receivable - due within one year	53
Noncurrent assets:	
Prepaid pension and other prepaid costs	455,247
Note receivable - due in more than one year	815
Capital assets, net of accumulated depreciation:	
Land	8,700
Construction in progress	5,589
Buildings and capital improvements	161,735
Vehicles and equipment	9,547
Total assets	<hr/> 815,909 <hr/>
 LIABILITIES	
Accounts payable	15,456
Accrued wages and benefits payable	61,058
Accrued bond interest payable	117
Unearned revenues	533
Other current liabilities:	
Claims payable - due within one year	4,106
Bonds payable - due within one year	14,763
Long-term liabilities:	
Claims payable - due in more than one year	130
Bonds payable - due in more than one year	470,076
Other post employment benefit obligation	17,762
Total liabilities	<hr/> 584,001 <hr/>
 NET ASSETS	
Invested in capital assets, net of related debt	181,442
Unrestricted	50,466
Total net assets	<hr/> \$ 231,908 <hr/>

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, 2009

(amounts expressed in thousands)

<u>Functions/Programs</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 306,993	\$ 4,783	\$ 72,121	\$ (230,089)
Support services	196,857	3,075	28,722	(165,060)
Enterprise and Community Services	16,653	4,442	2,620	(9,591)
Non-capital facilities maintenance	6,899	-	-	(6,899)
Interest and fees on long-term debt	1,600	-	-	(1,600)
Total governmental activities	<u>\$ 529,002</u>	<u>\$ 12,300</u>	<u>\$ 103,463</u>	<u>(413,239)</u>
GENERAL REVENUES (UNRESTRICTED)				
Property taxes, levies for operations				181,928
Construction excise tax				1,962
Local option taxes				37,364
State School Fund				151,376
State Common School Fund				3,717
County and intermediate sources				10,271
Investment earnings				3,477
Federal stimulus				8,816
Other				8,359
Gain on disposal of capital assets				104
Total general revenues				<u>407,374</u>
Change in net assets				(5,865)
Net assets - beginning of year, as originally reported		\$ 227,084		
Prior period adjustment (Note 3)		<u>10,689</u>		
Net assets - beginning of year, restated				<u>237,773</u>
Net assets - end of year				<u>\$ 231,908</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

Balance Sheet

June 30, 2009

(amounts expressed in thousands)

	General Fund	Grant Fund
ASSETS		
Cash and cash equivalents	\$ 46,249	\$ -
Cash and cash equivalents held by fiscal agents	3,731	-
Investments	23,837	-
Prepaid expenses	147	-
Accounts receivable	7,755	11,503
Notes receivable	868	-
Property taxes and other taxes receivable	12,448	-
Due from other funds	29,373	-
Inventories	866	-
Total assets	\$ 125,274	\$ 11,503
LIABILITIES		
Accounts payable	\$ 9,972	\$ 1,946
Accrued wages and benefits	52,258	5,401
Due to other funds	910	3,623
Deferred revenues	12,044	533
Other liabilities	130	-
Total liabilities	75,314	11,503
FUND BALANCES (DEFICIT)		
Reserved for interfund receivable	25,750	-
Reserved for notes receivable	815	-
Reserved for prepaid items	147	-
Reserved for capital projects	-	-
Unreserved, designated, PERS	-	-
Unreserved, undesignated, reported in:		
General fund	23,248	-
Special revenue funds	-	-
Capital projects	-	-
Total fund balances (deficit)	49,960	-
Total liabilities and fund balances	\$ 125,274	\$ 11,503

PERS Rate Stabilization Fund	21st Century Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 6,800	\$ 25,991	\$ 10,598	\$ 89,638
-	-	-	3,731
10,000	-	-	33,837
-	-	-	147
-	1	1,397	20,656
-	-	-	868
-	-	-	12,448
-	-	910	30,283
-	-	635	1,501
<u>\$ 16,800</u>	<u>\$ 25,992</u>	<u>\$ 13,540</u>	<u>\$ 193,109</u>
\$ -	\$ 2,697	\$ 763	\$ 15,378
-	12	1,103	58,774
-	25,750	-	30,283
-	-	-	12,577
-	-	-	130
<u>-</u>	<u>28,459</u>	<u>1,866</u>	<u>117,142</u>
-	-	-	25,750
-	-	-	815
-	-	-	147
-	-	2,031	2,031
16,800	-	-	16,800
-	-	-	23,248
-	-	9,643	9,643
-	(2,467)	-	(2,467)
<u>16,800</u>	<u>(2,467)</u>	<u>11,674</u>	<u>75,967</u>
<u>\$ 16,800</u>	<u>\$ 25,992</u>	<u>\$ 13,540</u>	

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

Capital assets are not financial resources and are not reported in governmental funds.	185,571
Long-term taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	11,176
Assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	4,506
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(484,839)
Prepaid pension costs are not reported in the governmental funds.	455,100
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.	3,672
Notes receivable are not collectable in the current period and therefore deferred revenue is recognized in the governmental funds.	868
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(2,251)
Accrued interest payable is not recognized as a liability in the governmental funds.	(117)
Other post employment benefit liability obligation is not reported in governmental funds.	(17,745)
Net assets of governmental activities	<u>\$ 231,908</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 (Deficit)
For the year ended June 30, 2009
(amounts expressed in thousands)

	General Fund	Grant Fund
REVENUES		
Property and other taxes	\$ 179,885	\$ -
State School Fund	151,376	-
State Common School Fund	3,717	-
Federal and state support	9,414	68,842
Federal stimulus	8,816	1,390
Local option taxes	37,042	-
County and intermediate sources	8,108	1,436
Charges for services	4,200	-
Extracurricular activities	-	-
Investment earnings	3,238	27
Other	7,295	2,757
Total revenues	413,091	74,452
EXPENDITURES		
Current Operating:		
Instruction	244,417	43,110
Support services	162,776	28,722
Enterprise and Community Services	-	2,620
Non-capital facilities maintenance and replacement	3,927	-
Debt Service:		
Principal	811	-
Interest	196	-
Total expenditures	412,127	74,452
Excess (deficiency) of revenues over expenditures	964	-
OTHER FINANCING SOURCES (USES)		
Transfers in	2,000	-
Transfers out	(7,883)	-
Proceeds from the sale of capital assets	375	-
Total other financing sources (uses)	(5,508)	-
Net change in fund balances	(4,544)	-
Fund balances - beginning of year (as restated) ⁽¹⁾	54,504	-
Fund balances (deficit) - end of year	\$ 49,960	\$ -

⁽¹⁾ The General Fund beginning fund balance has been restated for:

Correction of other current liabilities	\$ 2,630
Correction of employee benefits liabilities	2,489
Total restatement	5,119
General Fund beginning fund balance, originally reported	49,385
General Fund beginning fund balance, as restated	\$ 54,504

PERS Rate Stabilization Fund	21st Century Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,962	\$ 181,847
-	-	-	151,376
-	-	-	3,717
-	-	10,758	89,014
-	-	-	10,206
-	-	-	37,042
-	-	727	10,271
-	-	8,100	12,300
-	-	7,524	7,524
-	45	-	3,310
-	-	3,398	13,450
-	45	32,469	520,057
-	-	13,930	301,457
-	-	886	192,384
-	-	13,766	16,386
-	2,512	460	6,899
-	-	6,480	7,291
-	-	1,303	1,499
-	2,512	36,825	525,916
-	(2,467)	(4,356)	(5,859)
-	-	7,913	9,913
-	-	(30)	(7,913)
-	-	368	743
-	-	8,251	2,743
-	(2,467)	3,895	(3,116)
16,800	-	7,779	79,083
\$ 16,800	\$ (2,467)	\$ 11,674	\$ 75,967

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, 2009
(amounts expressed in thousands)

Net change in fund balances - total governmental funds (page 19)	\$ (3,116)
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 exceeded capital outlays.	(1,742)
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.	(375)
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.	2,763
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 loss for the year.	(1,430)
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 the change in 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.	15,542
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.	(8,407)
Other post employment benefits expenses are reported in the Statement of Activities but they are not reported as expenditures in the governmental funds.	(8,901)
Other 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	(256)
Change in bond interest payable	57
Change in net assets of governmental activities (page 15)	<u>\$ (5,865)</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 Net Assets
June 30, 2009
(amounts expressed in thousands)

ASSETS

Current Assets

Cash and cash equivalents	\$ 6,529
Investments	2,202
Accounts and other receivables	10
Total assets	<u>8,741</u>

LIABILITIES

Current Liabilities

Accounts payable	78
Accrued wages and benefits	32
Claims payable	4,106
Total current liabilities	<u>4,216</u>

Long-term Liabilities

Other post employment benefit obligation	19
Total liabilities	<u>4,235</u>

NET ASSETS

Unrestricted	<u><u>\$ 4,506</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, 2009
(amounts expressed in thousands)

OPERATING REVENUES

Charges for services	\$ 4,986
Insurance recoveries	44
Total operating revenues	<u>5,030</u>

EXPENSES

Salaries and benefits	420
Materials and services	428
Claims expense	3,780
Total expenses	<u>4,628</u>

Operating income	402
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NON-OPERATING REVENUE

Investment earnings	168
Income before transfers	<u>570</u>

TRANSFERS

Transfers out	<u>(2,000)</u>
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Change in net assets	(1,430)
Net assets - beginning of year	<u>5,936</u>
Net assets - end of year	<u><u>\$ 4,506</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, 2009
(amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from interfund services provided and used	\$ 4,986
Cash received from insurance recoveries	59
Cash payments for salaries and benefits	(403)
Cash payments for goods and services	(691)
Cash payments for claims	(3,428)
Net cash from operating activities	523

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers to other funds	(2,000)
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(2,202)
Investment earnings	168
Net cash from investing activities	(2,034)

Net decrease in cash and cash equivalents	(3,511)
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Cash and cash equivalents at beginning of year	10,040
Cash and cash equivalents at end of year	\$ 6,529

RECONCILIATION OF OPERATING INCOME TO CASH FROM OPERATING ACTIVITIES

Operating income	\$ 402
Adjustments to reconcile operating income to net cash from operating activities:	
Decrease in accounts receivable	15
Decrease in accounts payable	(263)
Increase in claims payable	352
Increase in accrued wages and benefits	7
Increase in net other post employment benefits obligation	10
Total adjustments	121
Net cash from operating activities	\$ 523

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, 2009

(Dollar amounts, unless otherwise indicated, are expressed in thousands)

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 accounting principles generally accepted in the United States of America, 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 and transfers 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, 2009

(Dollar amounts, unless otherwise indicated, are expressed in thousands)

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.

21st Century Capital Projects - Accounts for capital improvements that are focused on school modernization and construction. This fund was established in February, 2009.

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 revenues and transfers in 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.

During the year the Board of Education approved the creation of the IT Systems Project Fund and the IT Projects Debt Service Fund, which became effective in budget year 2009-2010.

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

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2009

(Dollar amounts, unless otherwise indicated, are expressed in thousands)

- Facilities Acquisition and Construction
- Debt Service
- Contingency
- Fund Transfers

Capital outlay expenditures are appropriated within the instruction and supporting services levels of control. Debt service expenditures in the General Fund are generally appropriated within the supporting services level of control, with the exception of Small Scale Energy Loans and the loan relating to the demolition of Whitaker School. For reporting purposes all other debt service expenditures 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 three supplemental budgets and one appropriation transfer 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 Statement of Cash Flows, 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

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2009

(Dollar amounts, unless otherwise indicated, are expressed in thousands)

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.

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 cost exceeding the threshold amounts shown in the schedule below, and an estimated useful life in excess of one year. District capital assets are recorded at historical cost, or estimated historical cost if purchased or constructed, and depreciated, where appropriate, using the straight-line method. 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 Statement No. 42 it adjusts the asset value.

Major asset classifications, useful lives and capitalization thresholds are:

Asset	Capitalization threshold	Useful lives, years
Buildings	\$ 25	100
Site improvements	25	5 to 25
Equipment	5	5 to 15
Vehicles	5	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.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2009

(Dollar amounts, unless otherwise indicated, are expressed in thousands)

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

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

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

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 expenditures.

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 certain 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.

Activities 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 are 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 are reported as expenditures.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2009

(Dollar amounts, unless otherwise indicated, are expressed in thousands)

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. With the exception of SEIU members, 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 from participating employees within the limits specified in the Code.

N. Other Post Employment Benefits

The District is mandated to contribute to Retirement Health Insurance Accounts (RHIA) for eligible District employees who are members of OPERS, and were plan members before January 1, 2004. The plan was established by the Oregon Legislature.

A health and welfare program the District provides for retirees is accounted for under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB). The OPEB obligation is actuarially determined, is reflected as a long-term liability in the government-wide financial statements, and reflects both lump-sum payments to employees and the present value of expected future payments. The net other post employment benefits liability and expenditure in the governmental fund financial statements are limited to amounts that become due and payable as of the end of the fiscal year, and are reported on the pay-as-you-go basis.

O. 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.

P. 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.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2009

(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 2- BUDGETARY BASIS OF ACCOUNTING

The District reports financial position, results of operations, and changes in fund balance/net assets 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- PRIOR PERIOD ADJUSTMENT

Beginning net assets in the Statement of Activities have been restated, as explained below:

Government-wide ending net assets as originally reported June 30, 2008	<u>\$ 227,084</u>
The June 30, 2008 actuarial liability for net other post employment benefits was incorrectly reported as \$14,422 and should have been \$8,852 (See Note 12). Governmental activity expenses for the year, originally reported as \$532,835, were over stated by \$5,570.	5,570
Certain employee benefits liabilities have been restated for changes in the District's accounting methods. The combined changes caused Governmental activity expenses for the year ended June 30, 2008, originally reported as \$532,835, to be overstated by \$2,489.	2,489
Other current liabilities have been corrected. This caused State School Fund income in a prior year to be understated by \$2,630.	2,630
Total prior period adjustments	<u>10,689</u>
Restated government-wide ending net assets at June 30, 2008 (page 15 of this report)	<u><u>\$ 237,773</u></u>

NOTE 4 - 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 tax rates for the year ended June 30, 2009 were:

Permanent rate	\$ 5.2781 per \$1 thousand of assessed value
Local option rate	\$ 1.2500 per \$1 thousand of assessed value

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2009

(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 5 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits with financial institutions include bank demand deposits, deposits in the Local Government Investment Pool, time certificates of deposit, and savings account deposits, as authorized by Oregon statutes.

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

Oregon Local Government Investment Pool (LGIP)	\$	42,304
Cash in demand deposits, Student Body Activity Fund		2,388
Demand accounts		51,470
Petty cash		5
Total cash and cash equivalents		<u>96,167</u>
US Government and agency securities		13,837
Time certificates		20,000
Commercial paper		2,202
Total investments		<u>36,039</u>
Cash and cash equivalents held by fiscal agents		3,731
Total cash, cash equivalents and investments	\$	<u>135,937</u>

A. Investments

Accounting principles generally accepted in the United States of America 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, 2009, the District's share of the amount of unrealized loss 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 \$8,846 held by a financial institution in conjunction with the District lease of Rosa Parks Elementary School (See Note 14).

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The Oregon Local Government Investment Pool is unrated.

Other investments held at June 30, 2009 are categorized by rating as follows:

	Ratings			Total	Weighted average maturity (yrs)
	Moody's Aaa	S&P P1	Not rated		
U.S. Government & agency obligations	\$ 13,837	\$ -	\$ -	\$ 13,837	0.629
Corporate commercial paper	-	2,202	-	2,202	0.085
Time certificates	-	-	20,000	20,000	0.375
	<u>\$ 13,837</u>	<u>\$ 2,202</u>	<u>\$ 20,000</u>	<u>\$ 36,039</u>	

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. Investments in U.S. government agency securities are rated Aaa by Moody's Investors Service, and corporate commercial paper is rated P1 by Standard and Poor's.

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. As of June 30, 2009 the District held the following:

	Value June 30, 2009	Percentage of total investments
Key Bank time certificates	\$ 20,000	55.5%
US Bank commercial paper	2,202	6.1%
	<u>\$ 22,202</u>	<u>61.6%</u>

Custodial risk-deposits

The District's deposits with financial institutions are insured up to \$250 thousand by the Federal Depository Insurance Corporation (FDIC). To provide additional security required and authorized by Oregon Revised Statutes, Chapter 295, deposits above insurance limits are covered by collateral held in a multiple financial institution collateral pool administered by the State of Oregon. At June 30, 2009, bank balances of \$636 were insured by the FDIC. Funds not covered by FDIC insurance are covered by the Oregon State Treasury Collateral Pool. At June 30, 2009, the carrying amount of the District's balance was \$73,858 and the bank balance was \$74,764.

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Notes to the Basic Financial Statements

For the Year Ended June 30, 2009

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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 Treasury in the management and investment of the LGIP. 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 6 – RECEIVABLES

Receivables as of year-end are summarized as follows:

	General fund	Grant fund	Governmental and other funds	Total
Taxes receivable	\$ 12,448	\$ -	\$ -	\$ 12,448
Accounts and other receivables				
Interest	511	-	-	511
Accounts receivable	7,120	-	880	8,000
Federal, state and local grants	-	11,499	528	12,027
Advances to employees	124	4	-	128
Accounts and other receivables	7,755	11,503	1,408	20,666
Total receivables	\$ 20,203	\$ 11,503	\$ 1,408	\$ 33,114

NOTE 7 – NOTE RECEIVABLE

In 2003, the District sold the broadcast license and capital assets of its public broadcasting FM station to a not-for-profit foundation. During the current year the District received principal and interest payments of \$381. In February 2009, the sales agreement was renegotiated to extend the contract for three years and to lower the interest from 7% to 3.5% through December 15, 2010. Interest after December 15, 2010, will be adjusted annually for the duration of the contract to the greater of 3.5% or prime less 0.5%. The District considers the receivable to be collectable, and accordingly, no allowance for doubtful accounts is provided.

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Future maturities, as renegotiated are:

June 30,	Principal	Interest	Total future payments
2010	\$ 53	\$ 47	\$ 100
2011	71	29	100
2012	74	26	100
2013	77	23	100
2014	593	21	614
	\$ 868	\$ 146	\$ 1,014

NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2009 follows:

Description	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 8,756	\$ -	\$ (56)	\$ 8,700
Construction in progress	1,099	8,924	(4,434)	5,589
Total capital assets not being depreciated	9,855	8,924	(4,490)	14,289
Capital assets being depreciated:				
Buildings and site improvements	312,667	4,334	(205)	316,796
Vehicles and equipment	35,251	897	(26)	36,122
Total capital assets being depreciated	347,918	5,231	(231)	352,918
Total general capital assets	357,773	14,155	(4,721)	367,207
Less accumulated depreciation:				
Buildings and site improvements	(146,824)	(8,237)	-	(155,061)
Vehicles and equipment	(23,637)	(2,962)	24	(26,575)
Total accumulated depreciation	(170,461)	(11,199)	24	(181,636)
Total governmental assets	\$ 187,312	\$ 2,956	\$ (4,697)	\$ 185,571

Depreciation expense for governmental activities is charged to functions as follows:

Instruction	\$ 7,939
Supporting services	3,142
Food services	118
	\$ 11,199

As of June 30, 2009 the District had three schools that were closed and idle: Clarendon, Rose City Park and Smith. The carrying value of these schools is \$3.7 million and is included in the capital assets summary above. Rose City Park School was called into service on November 16, 2009 after a fire at Marysville Elementary School (see Note 17).

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances represent cash owed by one fund to another. At June 30, 2009, the General Fund owed the Student Body Activity Fund \$910 and the Grants Fund was advanced \$3,623 by the General

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For the Year Ended June 30, 2009

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Fund to cover unbilled expenses. During the year, the Board of Education approved a \$25,750 interfund loan from the General Fund to the 21st Century Capital Projects Fund. The loan incurs interest at a variable rate of return set by the Local Government Investment Pool (LGIP) on a monthly basis. It is the intent of the Board to repay the loan in full no later than February, 2011.

	Due to	Due from
General Fund	\$ 29,373	\$ 910
21st Century Capital Projects Fund	-	25,750
Grants Fund	-	3,623
Other governmental funds	910	-
	\$ 30,283	\$ 30,283

The District made transfers from the General Fund of \$7.8 million to Debt Service Funds to fund bond payments and \$0.1 million to Special Revenue Funds. The Internal Service Fund transferred \$2.0 million to the General Fund for operations. The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances on pages 18 and 19 does not reflect the \$2.0 million transfer from the Internal Services Fund, which is shown on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Assets on page 22.

The composition of interfund transfers as of June 30, 2009, is as follows:

Transfers in	Transfers out			Total Transfers in
	General Fund	Nonmajor governmental funds	Internal Service Fund	
General Fund	\$ -	\$ -	\$ 2,000	\$ 2,000
Nonmajor Governmental Funds	7,883	30	-	7,913
Total transfers out	\$ 7,883	\$ 30	\$ 2,000	\$ 9,913

NOTE 10 – BONDED AND OTHER LONG-TERM DEBT

Changes in long-term debt of the District during fiscal year 2009 were as follows:

	Original amount	Balance July 1, 2008	Additions	Repay- ments	Balance June 30, 2009
Limited tax pension bonds:					
Series 2002	\$ 210,104	\$ 202,697	\$ -	\$ (2,707)	\$ 199,990
Series 2003	281,170	265,466	-	(5,700)	259,766
Pension debt (see note 11)	491,274	468,163	-	(8,407)	459,756
Limited tax general obligation refunding bonds, Series 2004	11,900	7,170	-	(1,304)	5,866
Certificates of participation (COP), Series 1999	43,295	5,175	-	(5,175)	-
Small scale energy loan programs	8,335	2,862	-	(771)	2,091
Notes payable	2,125	2,078	-	(42)	2,036
Full faith and credit bonds, Series 2007A and 2007B	15,090	15,090	-	-	15,090
Other debt	80,745	32,375	-	(7,292)	25,083
Total	\$ 572,019	\$ 500,538	\$ -	\$ (15,699)	\$ 484,839

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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 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. Payments of yearly principal and interest are recorded as financial statement expenditures in instruction and in 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 \$210,104 Limited Tax Pension Bonds, Series 2002 (Federally Taxable), of which \$53,524 are Series 2002A (deferred interest bonds) and \$156,580 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, 2008, 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 Limited Tax Pension Bonds, Series 2003 (Federally Taxable), of which \$124,800 are Series 2003A (deferred interest bonds) and \$156,370 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 2.76% 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 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 are Series 2007A (Tax-Exempt) and \$5,080 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. 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 5.27% to 5.36%. The bonds are not subject to redemption prior to their stated maturities.

In fiscal year 2007 the District borrowed \$2,125 from Key Bank 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%. The District also has a standby Letter of Credit with Key Bank in the amount of \$2,202 that is used for self-insurance certification pursuant to Oregon Administrative Rule 436-050-0180(3).

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In fiscal year 2004 the 1998 series refunding bonds were advance refunded, with proceeds of the Limited Tax General Obligation Refunding Bonds, Series 2004 for \$11,900. 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) of \$43,295 were payable annually through June 2009. Interest was paid semi-annually at rates ranging from 3.29% to 5.25%. The certificates of participation were paid in full at June 30, 2009.

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, and net proceeds of \$5,922 (after payment of underwriting and other issuance costs). Simultaneous to this transaction, the District purchased U.S. Treasury "Strip" obligations which will mature in 2013 in the amount of \$6,052 with a cost of \$2,759, 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 Energy Loan and the loan from Key Bank. Other long-term debt payments are made from the debt service funds.

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

Fiscal year	Limited tax pension & refunding bonds	Notes payable	Full faith & credit bonds	SELP loans	Total
Principal					
2010	\$ 10,991	\$ 44	\$ 3,005	\$ 723	\$ 14,763
2011	11,059	1,992	3,435	693	17,179
2012	12,334	-	3,570	351	16,255
2013	12,604	-	3,705	145	16,454
2014	11,534	-	1,375	68	12,977
2015-2019	59,277	-	-	111	59,388
2020-2024	131,538	-	-	-	131,538
2025-2028	216,285	-	-	-	216,285
Total principal	<u>465,622</u>	<u>2,036</u>	<u>15,090</u>	<u>2,091</u>	<u>484,839</u>
Interest					
2010	21,550	81	664	80	22,375
2011	22,421	80	544	50	23,095
2012	24,007	-	407	25	24,439
2013	25,271	-	269	14	25,554
2014	26,974	-	74	8	27,056
2015-2019	164,570	-	-	5	164,575
2020-2024	156,541	-	-	-	156,541
2025-2028	28,843	-	-	-	28,843
Total interest	<u>470,177</u>	<u>161</u>	<u>1,958</u>	<u>182</u>	<u>472,478</u>
Total debt service	<u>\$ 935,799</u>	<u>\$ 2,197</u>	<u>\$ 17,048</u>	<u>\$ 2,273</u>	<u>\$ 957,317</u>

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NOTE 11- 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: (1) the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003, and (2) the program for 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 OPERS accounts, but any future member contributions go to the member's IAP, not the member's OPERS 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 and Annual Pension Cost. 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.

In order to finance a portion of its unfunded actuarial PERS liability, the District issued limited tax pension bonds in 2002-03 and placed the proceeds into a PERS side account (see Note 10). The District's contributions to Oregon PERS are equal to the actuarially determined required contribution, but because funding in the PERS side account has been sufficient to provide pension rate relief, there have been no contractually required pension contributions for the years ended June 30, 2007, 2008 and 2009. There have been required PERS contributions for retiree healthcare over this same three-year time period (see Note 12B), and it is anticipated contractually required pension contributions will be reinstated at the next actuarial determination.

For the year ended June 30, 2009, the District's annual debt service for the limited tax pension bonds included \$8.4 million of principal, and \$20.1 million of interest. Total debt service payments for the years 2007, 2008 and 2009 were \$25.4 million, \$27.6 million and \$28.5 million.

B. Early Retirement Benefits

Plan Description. The District provides a single-employer defined benefit early retirement program for its certificated employees that was 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 dollars 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.

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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 2009, expenses/expenditures of approximately \$2.4 million were recognized.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

A. District Plan

Plan Description. The District provides a single-employer defined benefit post retirement 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. The contributions are financed on a pay-as-you-go basis. During fiscal year 2009 the District recognized, on a budgetary basis, expenses/expenditures of approximately \$4.1 million for the post-employment healthcare benefits.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is reflected on the Statement of Net Assets on the accrual basis, and is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's most recent actuarial valuation date was June 30, 2009 and the following table shows the components of the District's annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 16,282
Interest on net OPEB obligation	310
Adjustment to annual required contribution	<u>(482)</u>
Annual OPEB cost	16,110
Contributions made	<u>(7,200)</u>
Increase in net OPEB obligation	8,910
Net OPEB obligation - beginning of year (as restated)	<u>8,852</u>
Net OPEB obligation - end of year	<u><u>\$ 17,762</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 and the preceding year are as follows

<u>Fiscal year</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2008	\$ 18,439	52.0%	\$ 8,852
2009	\$ 16,110	44.7%	\$ 17,762

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Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, claim cost, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

In the June 30, 2009, actuarial valuation the entry age normal cost method was used to determine the District's OPEB liability. In its application of this method: (1) Service was the basis for allocation, (2) Entry age was established with the hire date, (3) Liabilities were individually calculated at the participant level without aggregation, and (4) The 30 year amortization period used for the unfunded Actuarial Accrued Liability (AAL) was based on level dollars over open future periods. The actuarial assumptions included a 3.5% investment rate of return and healthcare cost trend rates ranging from 4%-12% that were developed for groups within the plan. The post retirement benefit increases were set at the medical trend rate for Portland Association of Teachers (PAT), the largest group within the plan, and for all others, rate increases were assumed at a rate of 6%. The assumed rate of Inflation was 2%

Under the Entry Age Normal Method, the AAL for active members is calculated as the portion of the Actuarial Present Value of projected benefits allocated to prior years. The cost allocated to the current plan year is called the Normal Cost. The AAL for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total AAL over the actuarial value of plan assets is called the unfunded AAL. Funding requirements are determined by adding the normal cost and an amortization of the unfunded AAL. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial data are amortized separately. In addition, all gains or losses are tracked and an unamortized gain or loss may be amortized each year. All amortization bases are spread as level dollar amounts over future open periods

The District's most recent actuarial valuation of AAL used a loss ratio of 170% for its self-pay retirees and a 138% loss ratio for District paid retirees, which was a change from its earlier evaluation that used 170% as the loss ratio for all employees. The effect of this change in assumption and certain others has been to lower the estimated AAL as shown:

Accrued actuarial liability (AAL) reported June 30, 2008	\$ 185,066
Accrued actuarial liability (AAL) reported June 30, 2009	177,180
Decrease in AAL	<u>\$ (7,886)</u>

Funded Status and Funding Progress: As of July 1, 2009 the actuarial accrued liability for benefits was \$177.2 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$177.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$256.9 million for fiscal year 2009 and the ratio of the UAAL to the covered payroll was 68.96%. Using a 30-year amortization period, the Annual Required Contribution (ARC) for 2009 has been actuarially determined to be \$16.3 million, representing \$7.0 million the normal cost and \$9.3 million for the UAAL.

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(Dollar amounts, unless otherwise indicated, are expressed in thousands)

Prior period correction: The amount for contributions made, as reported by the District in its June 30, 2008 Comprehensive Annual Financial Report, omitted the implicit subsidy portion which is reflected in the restatement below:

	Reported June 30, 2008	Restated
Annual required contribution (ARC) and annual OPEB cost (expense)	\$ 18,439	\$ 18,439
Contributions made	(4,017)	(9,587)
Increase in net OPEB obligation	14,422	8,852
Net OPEB obligation - July 1, 2007	-	-
Net OPEB obligation - June 30, 2008	\$ 14,422	\$ 8,852

The effect of under reporting contributions made was to overstate the OPEB liability and overstate the governmental activities expenses in the prior year. See Note 3 – Prior Period Restatement.

A Schedule of Funding Progress for the District Other Post Employment Benefits Plan immediately follows the Notes to the Basic Financial Statements on page 47, and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

B. Retirement Health Insurance Account

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

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

Participating school districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.37% of annual covered OPERF payroll and 0.26% of OPSRP payroll. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2009

(Dollar amounts, unless otherwise indicated, are expressed in thousands)

basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2007, 2008 and 2009 were \$0, \$1,005, and \$0, which equaled the required contributions each year.

NOTE 13 - 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 approximately \$5.0 million of revenues from other governmental funds for the year ended June 30, 2009, and in 2009 it transferred \$2.0 million to the General Fund.

Approximately \$4.1 million of the claims payable total are considered current liabilities. Changes in the balances of claims liabilities during the years ended June 30, 2007, through June 30, 2009, were as follows:

Fiscal year	Beginning balance	New claims	Payments on claims	Ending balance
2007	\$ 5,690	\$ 2,028	\$ 3,730	\$ 3,988
2008	3,988	3,655	3,889	3,754
2009	3,754	3,779	3,427	4,106

NOTE 14-COMMITMENTS AND CONTINGENT LIABILITIES

Under Oregon Revised Statute No. 279, should funding not be available, the following contracts may be cancelled without penalty.

Contracts. Estimated future District service commitments in excess of \$1 million are listed as follows:

Contractor	Estimated commitments
Laidlaw Transit Inc DBA First Student	\$ 8,411
Gerding Edlen Sustainable Solutions LLC	7,733
CDW Government Inc	3,987
Portland Community College	2,486
Open Meadow Alternative Schools	2,317
Northwest Textbook Depository Co	1,889
Albina Fuel Co	1,734
Food Services of America	1,358
TekSystems Inc	1,192
Todd Hess Building Co	1,028
	<u>\$ 32,135</u>

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2009

(Dollar amounts, unless otherwise indicated, are expressed in thousands)

Operating leases. The District has operating leases for Rosa Parks Elementary School, Blanchard Educational Service Center (BESC), and the Pearl School. Future minimum required payments under these operating leases are:

Year ended June 30,	Minimum future payments
2010	\$ 654
2011	654
2012	933
2013	938
2014	1,211
2015-2019	4,614
2020-2024	4,620
2025-2029	4,319
2030-2034	4,319
2035-2036	1,728
Total minimum payments	<u>\$ 23,990</u>

Rosa Parks Elementary School. The District leases Rosa Parks Elementary School from New Columbia Community Campus Corporation ("N4C") with payments of \$42 per month from October 2007 through October 2014. 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 per month until October, 2035.

Blanchard Educational Service Center (BESC). In June 2000, Multnomah County leased a portion of the BESC facility from the District for \$3,500 under a 99-year agreement. In December 2008, Portland Public Schools leased back a portion of that space for \$800, which is payable over a period of 6 years. The lease back period is the remainder of the original lease. Future minimum payments under the BESC operating lease back agreement are included in the future minimum payments schedule above.

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

NOTE 15 – RELATED ORGANIZATIONS

The District includes seven charter schools that are legally separate, tax-exempt organizations. The most recent data available (from fiscal 2007-08) indicates charter school total students were 1,077 (representing 2.3% of the District's total enrollment); and that charter school net assets were \$876 (representing 0.39% of District net assets). Because of their size relative to the District the charter schools do not fall under the component unit reporting requirements set forth by GASB Statement No. 39.

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 16 – COMPLIANCE AND ACCOUNTABILITY

For the year ended June 30, 2009 expenditures exceeded appropriations in the following budgetary control categories (in thousands):

Fund / Function	Appropriation	Expenditures	Excess
General Fund			
Facilities acquisition & construction	\$ 3,150	\$ 3,927	\$ (777)
Debt Service	\$ 882	\$ 1,007	\$ (125)

The 21st Century Capital Projects Fund had a deficit fund balance of (\$2,467) at June 30, 2009.

NOTE 17 – SUBSEQUENT EVENTS

On October 5, 2009 the Board of Education authorized a borrowing of \$15 million to support information technology projects. The borrowing, completed on October 8, 2009, is a full faith and credit obligation of the District with a fixed rate of 3.40% per annum, calculated on the basis of a thirty day month and a 360 day year with a maturity date of June 1, 2019. Interest is due and payable semi-annually on June 1, and December 1 of each year, commencing December 1, 2009. Principal is due annually on June 1 of each year, commencing June 1, 2010.

In October 2009, the District sold property that was formerly the site of Whitaker Lakeside for \$2.9 million.

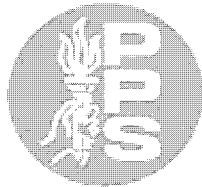
On November 10, 2009 fire broke out at Marysville Elementary School causing significant damage to the building. On November 16, 2009 Marysville Elementary School students were relocated to Rose City Park School, which was idle at June 30, 2009 (see Note 8). The Marysville Elementary School building was reported at June 30, 2009 as a capital asset in the government-wide Statement of Net Assets with a cost of \$1.94 million, and depreciated cost of \$857 thousand. Damage estimates and replacement costs were not determinable at the time of publication of this report.

REQUIRED SUPPLEMENTARY INFORMATION

The information in this section compares budget to actual for the District's General and major special revenue funds.

The budgetary basis of accounting for all funds is modified accrual, which is the same as that required by accounting principles generally accepted in the United States of America. Unless otherwise noted, a reconciliation of budgetary to generally accepted accounting principles activity is not required.

Under the provisions of GASB Statement No. 45, a Schedule of Funding Progress for the District's Other Post Employment Benefit Plan is included in the Required Supplementary Information.



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Required Supplementary Information
Other Postemployment Benefits
Schedule of Funding Progress
June 30, 2009
(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2006	\$ -	\$ 179,044	\$ 179,044	0%	\$ 215,749	83.0%
07/01/2009	\$ -	\$ 177,180	\$ 177,180	0%	\$ 256,919	69.0%

The above table presents the most recent actuarial valuations for the District's post-retirement health and welfare benefits plan and it provides information that approximates the funding progress of the plan.

Requests for Information:

Copies of the District's most recent actuarial report of its Other Post Employment Benefit Plan are available. Please direct requests to the Accounting and Payroll Services Department; Portland Public Schools; 501 N. Dixon Street; Portland, OR 97227.

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, 2009
(amounts expressed in thousands)**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		Positive/ (Negative)
REVENUES				
Property and other taxes	\$ 178,903	\$ 178,903	\$ 179,885	\$ 982
State School Fund	169,739	166,176	151,376	(14,800)
Local option taxes	37,478	37,478	37,042	(436)
Federal stimulus	-	-	8,816	8,816
County and intermediate sources	8,879	8,879	8,108	(771)
Restricted state grants	10,005	9,414	9,414	-
State Common School Fund	4,390	4,390	3,717	(673)
Charges for services	3,765	3,765	4,200	435
Investment earnings	3,000	3,000	3,238	238
Other	4,757	4,757	7,295	2,538
Total revenues	420,916	416,762	413,091	(3,671)
EXPENDITURES				
Current operating:				
Instruction:				
Regular programs:				
Salaries and benefits	170,324	169,357	164,317	5,040
Materials and services	6,275	9,688	9,348	340
Total regular programs	176,599	179,045	173,665	5,380
Special programs:				
Salaries and benefits	52,577	51,682	51,475	207
Materials and services	20,597	20,184	19,277	907
Total special programs	73,174	71,866	70,752	1,114
Total instruction	249,773	250,911	244,417	6,494
Support services:				
Students:				
Salaries and benefits	31,636	32,950	31,977	973
Materials and services	1,498	1,236	1,008	228
Total students	33,134	34,186	32,985	1,201
Instructional staff:				
Salaries and benefits	8,573	8,206	7,943	263
Materials and services	5,035	1,693	949	744
Total instructional staff	13,608	9,899	8,892	1,007
General administration:				
Salaries and benefits	3,578	3,080	2,670	410
Materials and services	1,880	1,907	1,500	407
Total general administration	5,458	4,987	4,170	817
School administration:				
Salaries and benefits	29,842	31,163	30,331	832
Materials and services	940	989	418	571
Total school administration	30,782	32,152	30,749	1,403

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, 2009
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Support services (continued):				
Business:				
Salaries and benefits	\$ 34,211	\$ 34,621	\$ 34,097	\$ 524
Materials and services	30,399	32,013	31,884	129
Total business	64,610	66,634	65,981	653
Central:				
Salaries and benefits	12,823	13,479	12,135	1,344
Materials and services	6,314	6,254	7,864	(1,610)
Total central	19,137	19,733	19,999	(266)
Total support services	166,729	167,591	162,776	4,815
Facilities acquisition & construction:				
Salaries and benefits	-	-	329	(329)
Materials and services	3,000	3,150	3,598	(448)
Total facilities acquisition & construction	3,000	3,150	3,927	(777)
Other expenditures:				
Debt Service				
Principal	768	768	811	(43)
Interest	114	114	196	(82)
Total debt service	882	882	1,007	(125)
Total current expenditures	420,384	422,534	412,127	10,407
Operating contingency	23,381	11,712	-	11,712
Total expenditures	443,765	434,246	412,127	22,119
Excess (deficiency) of revenues over expenditures	(22,849)	(17,484)	964	18,448
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000	2,000	2,000	-
Transfers out	(8,251)	(34,001)	(33,633)	368
Proceeds from the sale of capital assets	100	100	375	275
Total other financing sources and (uses)	(6,151)	(31,901)	(31,258)	643
Net change in fund balance	(29,000)	(49,385)	(30,294)	19,091
Fund balance - beginning of year, as originally reported	29,000	49,385	49,385	-
Restatement ⁽¹⁾	-	-	5,119	5,119
Beginning fund balance, restated			54,504	
Fund balance - end of year, budgetary basis	\$ -	\$ -	24,210	\$ 24,210
Adjusted by note receivable from other funds			25,750	
Fund balance, GAAP basis			\$ 49,960	

⁽¹⁾ The beginning fund balance has been restated for:

Correction of other current liabilities	\$ 2,630
Correction of employee benefits liabilities	2,489
Total restatement	\$ 5,119

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, 2009
(amounts expressed in thousands)**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		Positive/ (Negative)
REVENUES				
Federal and state support	\$ 69,407	\$ 69,407	\$ 68,842	\$ (565)
Federal stimulus	-	-	1,390	1,390
County and intermediate sources	725	725	1,436	711
Investment earnings	-	-	27	27
Other	5,937	5,937	2,757	(3,180)
Total revenues	76,069	76,069	74,452	(1,617)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	15,573	16,553	17,306	(753)
Materials and services	2,799	4,927	3,256	1,671
Total regular programs	18,372	21,480	20,562	918
Special programs:				
Salaries and benefits	15,108	14,364	16,683	(2,319)
Materials and services	6,782	6,650	5,465	1,185
Total special programs	21,890	21,014	22,148	(1,134)
Summer school programs:				
Salaries and benefits	15	661	341	320
Materials and services	1	122	59	63
Total summer school programs	16	783	400	383
Total instruction	40,278	43,277	43,110	167
Support Services:				
Students:				
Salaries and benefits	7,448	9,681	8,164	1,517
Materials and services	5,216	1,236	2,209	(973)
Total students	12,664	10,917	10,373	544
Instructional staff:				
Salaries and benefits	7,611	10,347	9,020	1,327
Materials and services	8,543	4,379	5,668	(1,289)
Total instructional staff	16,154	14,726	14,688	38
School administration:				
Salaries and benefits	877	1,050	1,571	(521)
Materials and services	972	988	446	542
Total school administration	1,849	2,038	2,017	21
Business:				
Salaries and benefits	66	177	81	96
Materials and services	4	52	49	3
Total business	70	229	130	99

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, 2009
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
Support Services (continued):				
Central:				
Salaries and benefits	\$ 133	\$ 300	\$ 252	\$ 48
Materials and services	3,493	1,653	1,262	391
Total central	3,626	1,953	1,514	439
Total support services	34,363	29,863	28,722	1,141
Enterprise and Community Services:				
Food Services:				
Materials and services	252	684	620	64
Community Services:				
Salaries and benefits	896	1,366	1,298	68
Materials and services	280	879	702	177
Total community services	1,176	2,245	2,000	245
Total enterprise and community services	1,428	2,929	2,620	309
Total current expenditures	76,069	76,069	74,452	1,617
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

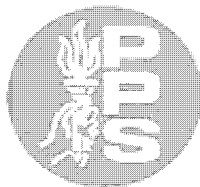
Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
PERS Rate Stabilization Reserve Fund
Schedule of Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2009
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
Fund balance - beginning of year	\$ 16,800	\$ 16,800	\$ 16,800	\$ -
Fund balance - end of year	\$ 16,800	\$ 16,800	\$ 16,800	\$ -

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

SUPPLEMENTARY INFORMATION



COMBINING STATEMENTS

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

Student Body Activity

This fund has separate accounts for each school's student body activities. Principal revenue sources are donations, fund raisers, individual support from PTAs, booster clubs, student store sales and club dues.

Cafeteria

The Cafeteria Fund 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.

BESC Cafeteria

The BESC Cafeteria operates in the Blanchard Education Service Center and its primary source of revenue is the sale of meals.

Special Revenue

The Special Revenue Fund accounts for specific project revenues and expenditures such as state grants, foundation grants, donations, and charges to participants.

DEBT SERVICE FUNDS

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

System Project Debt Service

This fund accounts for debt service payments of the 1999 Certificates of Participation (COPs). The certificates financed computer systems purchases and upgrades that are used for student information and instructional classroom applications. The primary funding source is operating transfers from the General Fund.

Bond Sinking

The Bond Sinking Fund accounts for debt service payments of the 2004 Limited Tax General Obligation Refunding Bonds. The principal funding source is transfers from the General Fund.

Settlement Debt Service

This fund is used for debt service payments of 2007 series Full Faith and Credit Bonds that were issued to settle \$14.5 million in claims to 280 custodians that were laid off in 2002. The principal source of funding is operating transfers from the General Fund.

CAPITAL PROJECTS FUNDS

Capital projects funds account for financial resources used to acquire technology or construction, or for major renovation of capital facilities.

Construction Excise Tax Fund

This fund accounts for facilities improvements and construction set forth in Oregon Senate Bill 1036, which authorizes school districts to impose a construction excise tax in order to fund real property improvements.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Governmental Funds
Combining Balance Sheet by Fund Types
June 30, 2009
(amounts expressed in thousands)

	<u>Total Nonmajor</u>		<u>Total</u>
	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	
ASSETS			
Cash and cash equivalents	\$ 8,941	\$ 1,657	\$ 10,598
Accounts and other receivables	1,023	374	1,397
Due from other funds	910	-	910
Inventories	635	-	635
Total assets	<u>\$ 11,509</u>	<u>\$ 2,031</u>	<u>\$ 13,540</u>
LIABILITIES			
Accounts payable	\$ 763	\$ -	\$ 763
Accrued wages and benefits	1,103	-	1,103
Total liabilities	<u>1,866</u>	<u>-</u>	<u>1,866</u>
FUND BALANCES			
Unreserved	9,643	2,031	11,674
Total liabilities and fund balances	<u>\$ 11,509</u>	<u>\$ 2,031</u>	<u>\$ 13,540</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2009
(amounts expressed in thousands)

	Student Body Activity Fund	Cafeteria Fund	BESC Cafeteria Fund	Special Revenue Fund	Total
ASSETS					
Cash and cash equivalents	\$ 2,388	\$ 1,123	\$ 6	\$ 5,424	\$ 8,941
Accounts and other receivables	78	419	-	526	1,023
Due from other funds	910	-	-	-	910
Inventories	-	629	6	-	635
Total assets	<u>\$ 3,376</u>	<u>\$ 2,171</u>	<u>\$ 12</u>	<u>\$ 5,950</u>	<u>\$ 11,509</u>
LIABILITIES					
Accounts payable	\$ 136	\$ 447	\$ 3	\$ 177	\$ 763
Accrued wages and benefits	-	155	6	942	1,103
Total liabilities	<u>136</u>	<u>602</u>	<u>9</u>	<u>1,119</u>	<u>1,866</u>
FUND BALANCES					
Unreserved	<u>3,240</u>	<u>1,569</u>	<u>3</u>	<u>4,831</u>	<u>9,643</u>
Total liabilities and fund balances	<u>\$ 3,376</u>	<u>\$ 2,171</u>	<u>\$ 12</u>	<u>\$ 5,950</u>	<u>\$ 11,509</u>

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, 2009

(amounts expressed in thousands)

	Total Nonmajor			Total
	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
REVENUES				
Property and other taxes	\$ -	\$ -	\$ 1,962	\$ 1,962
Federal and state support	10,758	-	-	10,758
County and intermediate sources	727	-	-	727
Charges for services	8,100	-	-	8,100
Extracurricular activities	7,524	-	-	7,524
Other	3,398	-	-	3,398
Total revenues	<u>30,507</u>	<u>-</u>	<u>1,962</u>	<u>32,469</u>
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs	13,228	-	-	13,228
Special programs	209	-	-	209
Summer school programs	493	-	-	493
Total instruction	<u>13,930</u>	<u>-</u>	<u>-</u>	<u>13,930</u>
Support services:				
Students	189	-	-	189
Instructional staff	254	-	-	254
General administration	33	-	-	33
School administration	227	-	-	227
Business	166	-	-	166
Central	17	-	-	17
Total support services	<u>886</u>	<u>-</u>	<u>-</u>	<u>886</u>
Enterprise and community services:				
Food services	13,744	-	-	13,744
Community services	22	-	-	22
Total enterprise and community services	<u>13,766</u>	<u>-</u>	<u>-</u>	<u>13,766</u>
Facilities acquisition and construction	460	-	-	460
Debt Service:				
Principal	-	6,480	-	6,480
Interest and fiscal charges	-	1,303	-	1,303
Total debt service	<u>-</u>	<u>7,783</u>	<u>-</u>	<u>7,783</u>
Total current expenditures	<u>29,042</u>	<u>7,783</u>	<u>-</u>	<u>36,825</u>
Excess (deficiency) of revenues over expenditures	<u>1,465</u>	<u>(7,783)</u>	<u>1,962</u>	<u>(4,356)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	130	7,783	-	7,913
Transfers out	(30)	-	-	(30)
Proceeds from the sale of capital assets	368	-	-	368
Total other financing sources	<u>468</u>	<u>7,783</u>	<u>-</u>	<u>8,251</u>
Net change in fund balances	1,933	-	1,962	3,895
Fund balances - beginning of year	7,710	-	69	7,779
Fund balances - end of year	<u>\$ 9,643</u>	<u>\$ -</u>	<u>\$ 2,031</u>	<u>\$ 11,674</u>

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, 2009
(amounts expressed in thousands)

	Student Body Activity Fund	Cafeteria Fund	BESC Cafeteria Fund	Special Revenue Fund	Total
REVENUES					
Federal and state support	\$ -	\$ 10,752	\$ -	\$ 6	\$ 10,758
County and intermediate sources	-	-	-	727	727
Charges for services	-	3,219	259	4,622	8,100
Extracurricular activities	7,524	-	-	-	7,524
Other	-	40	-	3,358	3,398
Total revenues	<u>7,524</u>	<u>14,011</u>	<u>259</u>	<u>8,713</u>	<u>30,507</u>
EXPENDITURES					
Current operating:					
Instruction:					
Regular programs	7,636	-	-	5,592	13,228
Special programs	-	-	-	209	209
Summer school programs	-	-	-	493	493
Total instruction	<u>7,636</u>	<u>-</u>	<u>-</u>	<u>6,294</u>	<u>13,930</u>
Support services:					
Students	-	-	-	189	189
Instructional staff	-	-	-	254	254
General administration	-	-	-	33	33
School administration	-	-	-	227	227
Business	-	-	-	166	166
Central	-	-	-	17	17
Total support services	<u>-</u>	<u>-</u>	<u>-</u>	<u>886</u>	<u>886</u>
Enterprise and community services:					
Food services	-	13,455	289	-	13,744
Community services	-	-	-	22	22
Total enterprise & community services	<u>-</u>	<u>13,455</u>	<u>289</u>	<u>22</u>	<u>13,766</u>
Facilities acquisition & construction	-	-	-	460	460
Total current expenditures	<u>7,636</u>	<u>13,455</u>	<u>289</u>	<u>7,662</u>	<u>29,042</u>
Excess (deficiency) of revenues over expenditures	<u>(112)</u>	<u>556</u>	<u>(30)</u>	<u>1,051</u>	<u>1,465</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	100	-	30	-	130
Transfers out	-	(30)	-	-	(30)
Proceeds from the sale of capital assets	-	-	-	368	368
Total other financing sources (uses)	<u>100</u>	<u>(30)</u>	<u>30</u>	<u>368</u>	<u>468</u>
Net change in fund balances	(12)	526	-	1,419	1,933
Fund balances - beginning of year	3,252	1,043	3	3,412	7,710
Fund balances - end of year	<u>\$ 3,240</u>	<u>\$ 1,569</u>	<u>\$ 3</u>	<u>\$ 4,831</u>	<u>\$ 9,643</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Debt Service Funds
Combining Statement of Expenditures, and Changes in Fund Balances
For the year ended June 30, 2009
(amounts expressed in thousands)

	System Project Debt Service Fund	Bond Sinking Fund	Settlement Debt Service Fund	Total
EXPENDITURES				
Debt Service:				
Principal	\$ 5,175	\$ 1,305	\$ -	\$ 6,480
Interest and fiscal charges	272	367	664	1,303
Total expenditures	<u>5,447</u>	<u>1,672</u>	<u>664</u>	<u>7,783</u>
OTHER FINANCING SOURCES				
Transfers in	<u>5,447</u>	<u>1,672</u>	<u>664</u>	<u>7,783</u>
Total other financing sources	<u>5,447</u>	<u>1,672</u>	<u>664</u>	<u>7,783</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2009
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Extracurricular activities	\$ 7,800	\$ 7,800	\$ 7,524	\$ (276)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs				
Materials and services	8,000	8,000	7,636	364
Total expenditures	8,000	8,000	7,636	364
Excess of expenditures over revenues	(200)	(200)	(112)	88
OTHER FINANCING SOURCE				
Transfers in	150	150	100	(50)
Net change in fund balance	(50)	(50)	(12)	38
Fund balance - beginning of year	2,650	2,650	3,252	602
Fund balance - end of year	<u>\$ 2,600</u>	<u>\$ 2,600</u>	<u>\$ 3,240</u>	<u>\$ 640</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, 2009
(amounts expressed in thousands)**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Federal and state support	\$ 10,033	\$ 10,033	\$ 10,752	\$ 719
Charges for services	3,342	3,342	3,219	(123)
Other	12	12	40	28
Total revenues	13,387	13,387	14,011	624
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	6,629	6,629	6,201	428
Materials and services	7,477	7,477	7,254	223
Total expenditures	14,106	14,106	13,455	651
Excess (deficiency), revenues over expenditures	(719)	(719)	556	1,275
OTHER FINANCING SOURCES				
Transfers out	(77)	(77)	(30)	47
Total other financing sources	(77)	(77)	(30)	47
Net change in fund balance	(796)	(796)	526	1,322
Fund balance - beginning of year	796	796	1,043	247
Fund balance - end of year	\$ -	\$ -	\$ 1,569	\$ 1,569

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 - Budget and Actual
For the year ended June 30, 2009
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 276	\$ 276	\$ 259	\$ (17)
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	193	193	190	3
Materials and services	160	160	99	61
Total expenditures	353	353	289	64
Excess of expenditures over revenues	(77)	(77)	(30)	47
OTHER FINANCING SOURCES				
Transfers in	77	77	30	(47)
Total other financing sources	77	77	30	(47)
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	3	3
Fund balance - end of year	\$ -	\$ -	\$ 3	\$ 3

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, 2009
(amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 4,848	\$ 4,848	\$ 4,622	\$ (226)
County and intermediate sources	2,449	2,449	727	(1,722)
Federal and state support	1,047	1,047	6	(1,041)
Other	3,977	3,977	3,358	(619)
Total revenues	<u>12,321</u>	<u>12,321</u>	<u>8,713</u>	<u>(3,608)</u>
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	5,527	6,181	5,395	786
Materials and services	1,278	214	197	17
Total regular programs	<u>6,805</u>	<u>6,395</u>	<u>5,592</u>	<u>803</u>
Special programs:				
Salaries and benefits	2,112	2,134	22	2,112
Materials and services	672	735	187	548
Total special programs	<u>2,784</u>	<u>2,869</u>	<u>209</u>	<u>2,660</u>
Summer school programs:				
Salaries and benefits	208	493	455	38
Materials and services	53	93	38	55
Total summer school programs	<u>261</u>	<u>586</u>	<u>493</u>	<u>93</u>
Total instruction	<u>9,850</u>	<u>9,850</u>	<u>6,294</u>	<u>3,556</u>
Support Services:				
Students:				
Salaries and benefits	34	19	13	6
Materials and services	498	540	176	364
Total students	<u>532</u>	<u>559</u>	<u>189</u>	<u>370</u>
Instructional staff:				
Salaries and benefits	287	240	198	42
Materials and services	164	195	56	139
Total instructional staff	<u>451</u>	<u>435</u>	<u>254</u>	<u>181</u>
General administration:				
Salaries and benefits	7	13	1	12
Materials and services	298	177	32	145
Total general administration	<u>305</u>	<u>190</u>	<u>33</u>	<u>157</u>
School administration:				
Salaries and benefits	322	196	210	(14)
Materials and services	6	99	17	82
Total school administration	<u>328</u>	<u>295</u>	<u>227</u>	<u>68</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, 2009
(amounts expressed in thousands)

	<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:				
Materials and services	\$ 1,000	\$ 467	\$ 166	\$ 301
Central:				
Salaries and benefits	6	-	-	-
Materials and services	162	88	17	71
Total central	168	88	17	71
Total support services	2,784	2,034	886	1,148
Enterprise and Community Services:				
Food Services:				
Materials and services	7	7	-	7
Total food service	7	7	-	7
Community Services:				
Salaries and benefits	26	21	16	5
Materials and services	21	26	6	20
Total community services	47	47	22	25
Total enterprise and community services	54	54	22	32
Facilities acquisition & construction:				
Materials and services	8	758	460	298
Total facilities acquisition and construction	8	758	460	298
Total current expenditures	12,696	12,696	7,662	5,034
Operating Contingencies	2,925	2,925	-	2,925
Total expenditures	15,621	15,621	7,662	7,959
Excess (deficiency) of revenues over expenditures	(3,300)	(3,300)	1,051	4,351
OTHER FINANCING SOURCES				
Proceeds from the sale of capital assets	375	375	368	(7)
Net change in fund balance	(2,925)	(2,925)	1,419	4,344
Fund balance - beginning of year	2,925	2,925	3,412	487
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,831</u>	<u>\$ 4,831</u>

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, 2009
(amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Debt Service:				
Principal	\$ 5,175	\$ 5,175	\$ 5,175	\$ -
Interest and fiscal charges	590	590	272	318
Total debt service	5,765	5,765	5,447	318
OTHER FINANCING SOURCES				
Transfers in	5,765	5,765	5,447	318
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, 2009
(amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Debt Service:				
Principal	\$ 1,305	\$ 1,305	\$ 1,305	\$ -
Interest and fiscal charges	367	367	367	-
Total debt service	1,672	1,672	1,672	-
OTHER FINANCING SOURCES				
Transfers in	1,672	1,672	1,672	-
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
Settlement Debt Service Fund
Schedule of Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2009
(amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Debt Service:				
Interest and fiscal charges	\$ 664	\$ 664	\$ 664	\$ -
Total debt service	664	664	664	-
OTHER FINANCING SOURCES				
Transfers in	664	664	664	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

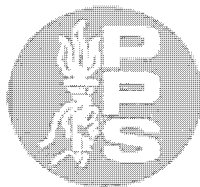
Note: Bolded lines indicate legally required appropriation budget levels of control

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Construction Excise Tax Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2009
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Construction excise tax	\$ 3,000	\$ 3,000	\$ 1,962	\$ (1,038)
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>1,962</u>	<u>(1,038)</u>
EXPENDITURES				
Facilities acquisition & construction:				
Materials and services	3,500	3,500	-	(3,500)
Operating contingency	500	500	-	(500)
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
Excess (deficit) of revenues over expenditures	(1,000)	(1,000)	1,962	2,962
Fund balance - beginning of year	1,000	1,000	69	(931)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,031</u>	<u>\$ 2,031</u>

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

BUDGETARY COMPARISON SCHEDULES
Other funds



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Self-Insurance Fund
Schedule of Revenues, Expenses, and
Changes in Retained Earnings - Budget and Actual
For the year ended June 30, 2009
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 4,960	\$ 4,960	\$ 4,986	\$ 26
Other	30	30	44	14
Total operating revenues	4,990	4,990	5,030	40
OPERATING EXPENSES				
Support Services:				
Salaries and benefits	438	438	404	34
Materials and services	707	707	427	280
Claims expense	4,091	4,091	3,780	311
Total support services	5,236	5,236	4,611	625
Operating contingency	3,000	3,000	-	3,000
Total operating expenses	8,236	8,236	4,611	3,625
Operating income (loss)	(3,246)	(3,246)	419	3,665
NON OPERATING REVENUES (EXPENSES)				
Investment income	150	150	168	18
Transfers out	(2,000)	(2,000)	(2,000)	-
Total non-operating revenues (expenses)	(1,850)	(1,850)	(1,832)	18
Net loss - budgetary bases	(5,096)	(5,096)	(1,413)	3,683
Beginning retained earnings - budgetary basis	5,096	5,096	5,957	861
Ending retained earnings - budgetary basis	\$ -	\$ -	4,544	\$ 4,544
Less				
Other post employment benefits expense			(19)	
Compensated absences accrued			(19)	
Retained earnings - GAAP basis			\$ 4,506	

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
21st Century Capital Projects Fund
Schedule of Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2009
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 45	\$ 45
EXPENDITURES				
Facilities acquisition & construction:				
Salaries and benefits	-	-	15	(15)
Materials and services	-	5,500	2,497	3,003
Total facilities acquisition & construction:	-	5,500	2,512	2,988
Total current expenditures	-	5,500	2,512	2,988
Operating contingency	-	20,250	-	20,250
Total expenditures	-	25,750	2,512	23,238
Deficiency of revenues over expenditures	-	(25,750)	(2,467)	23,283
OTHER FINANCING SOURCES				
Transfers in	-	25,750	25,750	-
Net change in fund balance	-	-	23,283	23,283
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	23,283	<u>\$ 23,283</u>
Adjusted by note payable to other funds			<u>(25,750)</u>	
Fund balance, GAAP basis			<u>\$ (2,467)</u>	

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

OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund

Schedule of Property Tax Transactions
For the Year Ended June 30, 2009
(dollars in thousands)

Tax Year	Taxes Uncollected June 30, 2008	Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes	
							Uncollected June 30, 2009	Uncollected June 30, 2009
2008-2009	\$ -	\$ 185,474	\$ (4,528)	\$ 90	\$ (1,256)	\$ (173,154)	\$	6,626
2007-2008	5,206	-	12	182	(316)	(2,830)	2,254	939
2006-2007	1,637	-	1	107	(111)	(695)	327	76
2005-2006	674	-	1	92	(93)	(347)	(299)	53
2004-2005	301	-	-	68	6	(23)	(13)	27
2003-2004	69	-	-	8	(1)	(2)	(3)	17
2002-2003	45	-	-	5	(2)	(2)	(2)	12
2001-2002	28	-	-	2	-	(10)	-	118
2000-2001	18	-	-	1	-	-	-	10,484
1999-2000	13	-	-	1	-	-	-	-
10+ yrs prior	122	-	-	6	-	-	-	-
Total General Tax:	8,113	185,474	(4,514)	562	(1,773)	(177,378)	1,377	468
2008-2009	-	38,563	(942)	19	(261)	(36,002)	-	-
2007-2008	1,083	-	2	38	(66)	(589)	-	-
2006-2007	-	-	-	-	-	-	-	-
2005-2006	-	-	-	-	-	-	-	-
2004-2005	35	-	-	8	1	(34)	10	6
2003-2004	8	-	-	1	-	(3)	4	3
2002-2003	5	-	-	1	-	(2)	2	2
2001-2002	3	-	-	-	-	-	-	-
2000-2001	2	-	-	-	-	-	-	-
Total Local Option Taxes:	1,136	38,563	(940)	67	(326)	(36,630)	1,870	56
Bond Tax:								
2008-2009	-	-	-	-	-	-	-	-
2007-2008	-	-	-	-	-	-	-	-
2006-2007	-	-	-	-	-	-	-	-
2005-2006	-	-	-	-	-	-	-	-
2004-2005	67	-	-	15	1	(66)	17	13
2003-2004	16	-	-	2	-	(5)	10	4
2002-2003	11	-	-	2	-	(1)	2	2
2001-2002	5	-	-	-	-	(1)	3	3
2000-2001	3	-	-	-	-	-	-	7
1999-2000	3	-	-	-	-	-	-	-
10+ yrs prior	7	-	-	-	-	-	-	-
Total Bond Taxes	112	-	-	19	1	(76)	56	56

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund
Schedule of Property Tax Transactions (continued)
For the Year Ended June 30, 2009

(dollars in thousands)

DISTRICT LEVIES	Tax Year	Taxes Uncollected June 30, 2008	Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes	
								Uncollected June 30, 2009	Uncollected June 30, 2009
Cancel/Omit	2008-2009	\$ -	\$ 337	\$ (8)	\$ -	\$ (2)	\$ (316)	\$ -	11
Current Year	2007-2008	14	-	-	1	(1)	(7)	-	7
Prior Year	2006-2007	2	-	-	-	-	(1)	-	1
	2005-2006	2	-	-	-	-	(1)	-	1
	2004-2005	1	-	-	-	-	(1)	-	-
	2003-2004	-	-	-	-	-	-	-	-
		19	337	(8)	1	(3)	(326)	-	20
Total Cancel/Omit Taxes:									
Total Multnomah County:		9,380	224,374	(5,462)	649	(2,101)	(214,410)		12,430
Washington County:									
All Years ¹		-	1,643	-	-	-	(1,581)		-
Clackamas County:									
All Years ¹		-	188	-	-	-	(180)		-
Total All Counties:		9,380	226,205	(5,462)	649	(2,101)	(216,171)	\$	12,430

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, 2009 were considered immaterial.

All Property Tax Transactions were recorded in the General Fund for FY 2009.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund
Schedule of Property Tax Transactions
For the Year Ended June 30, 2009
(dollars in thousands)

Reconciliation to Financial Statements:	
Property tax collections for the year ended June 30, 2009	\$ 216,171
Non-levied tax revenue received for the year ended June 30, 2009	159
Uncollected property taxes at June 30, 2009	\$ 12,430
Uncollected property taxes susceptible to accrual at June 30, 2009	1,269 (1,251)
Non-levied tax revenue susceptible to accrual at June 30, 2009	4 (3)
Property taxes & non-levy rev susceptible to accrual at June 30, 2008, and collected during the year ended June 30, 2009	<u>(983)</u>
Total property taxes - General Fund	<u>\$ 216,620</u>
Total Deferred Revenues - General Fund	<u>\$ 11,176</u>

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
Schedules By Source
June 30, 2009
(amounts expressed in thousands)

Governmental funds in capital assets:

Land	\$	8,700
Buildings and site improvements		316,796
Vehicles and equipment		36,122
Construction in progress		5,589
Total governmental funds in capital assets	<u>\$</u>	<u>367,207</u>

Investments in governmental funds capital assets by source:

General fund	\$	151,051
Special Revenue funds		3,517
Capital Projects funds		212,639
Total governmental funds capital assets	<u>\$</u>	<u>367,207</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2009
(amounts expressed in thousands)

Function and Activity	Land	Buildings and Site Improvements	Vehicles and Equipment	Construction in Progress	Total
General government					
Instruction	\$ 6,692	\$ 288,913	\$ 3,937	\$ 4,561	\$ 304,103
Supporting services	2,008	27,873	30,833	1,028	61,742
Food services	-	10	1,352	-	1,362
Total governmental funds in capital assets	<u>\$ 8,700</u>	<u>\$ 316,796</u>	<u>\$ 36,122</u>	<u>\$ 5,589</u>	<u>\$ 367,207</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the fiscal year ended June 30, 2009
(amounts expressed in thousands)

Function and Activity	Governmental Funds Capital Assets June 30, 2008	Additions	Deductions	Governmental Funds Capital Assets June 30, 2009
General government				
Instruction	\$ 296,155	\$ 8,227	\$ (279)	\$ 304,103
Supporting services	60,284	1,467	(9)	61,742
Food services	1,334	28	-	1,362
Total governmental funds in capital assets	<u>\$ 357,773</u>	<u>\$ 9,722</u>	<u>\$ (288)</u>	<u>\$ 367,207</u>

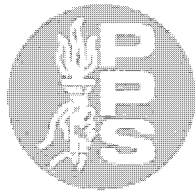
Statistical Section

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>	85
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>	90
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	94
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>	97
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>	99
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.



Schedule 1
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Condensed Statement of Net Assets
Last Eight Fiscal Years

(accrual basis of accounting)
(dollars in thousands)

	Fiscal year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Government-wide Activities								
Assets								
Current and other assets	\$ 138,570	\$ 103,758	\$ 142,480	\$ 161,328	\$ 169,097	\$ 167,964	\$ 175,282	\$ 175,091
Prepaid pension costs	-	486,618	486,072	485,029	478,576	471,759	463,507	455,247
Net capital assets	223,642	228,616	224,098	210,589	203,717	195,885	187,312	185,571
Total assets	<u>362,212</u>	<u>818,992</u>	<u>852,650</u>	<u>856,946</u>	<u>851,390</u>	<u>835,608</u>	<u>826,101</u>	<u>815,909</u>
Liabilities								
Other current liabilities	121,904	116,164	75,478	75,082	78,829	95,818	88,936	96,163
Other long-term liabilities	126,945	78,866	79,987	37,907	32,876	24,271	22,377	10,320
Limited tax pension bonds payable	-	491,274	490,728	489,685	483,232	476,416	468,163	459,756
Other post employment benefits	-	-	-	-	-	-	8,852	17,762
Total liabilities	<u>248,849</u>	<u>686,304</u>	<u>646,193</u>	<u>602,674</u>	<u>594,937</u>	<u>596,505</u>	<u>588,328</u>	<u>584,001</u>
Net Assets								
Invested in capital assets, net of related debt	87,514	123,872	156,011	183,482	183,157	180,034	177,198	181,442
Unrestricted	25,849	8,816	50,446	70,790	73,296	59,069	60,575	50,466
Total Net Assets	<u>\$ 113,363</u>	<u>\$ 132,688</u>	<u>\$ 206,457</u>	<u>\$ 254,272</u>	<u>\$ 256,453</u>	<u>\$ 239,103</u>	<u>\$ 237,773</u>	<u>\$ 231,908</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 Eight Fiscal Years
(dollars in thousands)

	Fiscal year							
	2002	2003	2004	2005	2006	2007	2008	2009
						(restated)	(restated)	
Government-wide Activities								
Expenditures								
Instruction	\$ 278,300	\$ 246,091	\$ 264,430	\$ 278,166	\$ 272,831	\$ 281,308	\$ 311,474	\$ 306,993
Support services	167,001	160,170	160,121	167,789	178,014	198,721	192,598	196,857
Enterprise and Community Services	14,879	14,736	13,735	15,425	15,386	15,187	15,750	16,653
Non-capital facilities maintenance & replacement	-	15,638	9,177	8,394	-	7,633	3,140	6,899
Interest and fees on long-term debt	12,210	10,607	5,382	3,919	1,816	1,535	1,815	1,600
Total expenditures	<u>472,390</u>	<u>447,242</u>	<u>452,845</u>	<u>473,693</u>	<u>468,047</u>	<u>504,384</u>	<u>524,777</u>	<u>529,002</u>
Program Revenues								
Charges for services:								
Instruction	8,165	6,319	3,561	3,672	4,447	4,100	4,151	4,783
Support services	-	-	2,127	1,855	1,712	2,157	2,879	3,075
Enterprise and Community Services	4,693	4,213	3,962	3,950	3,153	4,190	4,353	4,442
Operating grants and contributions:								
Instruction	55,615	48,306	40,545	43,992	44,131	51,915	68,180	72,121
Support services	18,250	16,186	18,076	23,582	23,566	29,163	27,793	28,722
Enterprise and Community Services	10,090	11,125	10,983	11,128	11,176	12,500	1,889	2,620
Total program revenues	<u>96,813</u>	<u>86,149</u>	<u>79,254</u>	<u>88,179</u>	<u>88,185</u>	<u>104,025</u>	<u>109,245</u>	<u>115,763</u>
Net Expenditures	<u>(375,577)</u>	<u>(361,093)</u>	<u>(373,591)</u>	<u>(385,514)</u>	<u>(379,862)</u>	<u>(400,359)</u>	<u>(415,532)</u>	<u>(413,239)</u>
General Revenues:								
Property taxes, levies for operations	128,574	131,056	135,183	138,699	144,543	165,536	174,926	181,928
Property taxes, levies for debt service	39,312	47,082	45,673	33,979	921	37	69	1,962
Local option taxes	14,879	16,263	17,165	31,751	466	200	35,887	37,364
State School Fund	193,284	150,705	183,619	148,013	157,061	166,813	168,438	151,376
State Common School Fund	1,527	3,100	1,251	3,784	4,135	4,316	4,864	3,717
County and intermediate sources	10,864	24,441	50,806	59,734	59,613	30,009	15,511	10,271
Federal Stimulus	-	-	-	-	-	-	-	8,816
Investment earnings	5,311	2,188	1,786	3,091	5,554	7,795	7,208	3,477
Other	2,279	5,344	6,384	8,254	9,783	7,956	7,260	8,359
Gain (Loss) on disposal of capital assets	2,098	239	5,493	6,024	(33)	347	39	104
Total general revenues	<u>398,128</u>	<u>380,418</u>	<u>447,360</u>	<u>433,329</u>	<u>382,043</u>	<u>383,009</u>	<u>414,202</u>	<u>407,374</u>
Change in Net Assets	<u>\$ 22,551</u>	<u>\$ 19,325</u>	<u>\$ 73,769</u>	<u>\$ 47,815</u>	<u>\$ 2,181</u>	<u>\$ (17,350)</u>	<u>\$ (1,330)</u>	<u>\$ (5,865)</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)
(dollars in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Fund Balances (Deficit)					
General Fund, unreserved	\$ 8,184	\$ 999	\$ (2,819)	\$ (13,552)	\$ 13,191
General Fund, reserved	-	-	-	-	-
Special revenue funds	8,122	8,258	7,226	11,222	20,882
Capital projects funds	92,128	68,833	46,613	23,229	12,965
Debt service funds	2,724	1,387	(893)	2,635	2,256
Total fund balances	<u>\$ 111,158</u>	<u>\$ 79,477</u>	<u>\$ 50,127</u>	<u>\$ 23,534</u>	<u>\$ 49,294</u>

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Fund Balances (Deficit)					
General Fund, unreserved	\$ 31,837	\$ 43,235	(restated) \$ 43,855	(restated) \$ 54,505	\$ 23,248
General Fund, reserved	-	-	-	-	26,712
Special revenue funds	29,932	25,493	25,158	24,510	26,443
Capital projects funds	7,381	1,987	-	69	(436)
Debt service funds	(222)	708	1,146	-	-
Total fund balances	<u>\$ 68,928</u>	<u>\$ 71,423</u>	<u>\$ 70,159</u>	<u>\$ 79,084</u>	<u>\$ 75,967</u>

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)
(dollars in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues	(restated)	(restated)	
Property and other taxes	\$ 153,568	\$ 170,871	\$ 166,430
State School Fund	189,567	193,991	193,284
Local option taxes	-	-	14,879
County and intermediate sources	10,870	10,820	10,864
Federal stimulus	-	-	-
State Common School Fund	3,822	4,096	1,527
Federal and state support	77,008	76,452	74,307
Charges for services	1,792	4,088	4,693
Extracurricular activities	6,052	6,365	7,007
Investment earnings	10,074	10,050	5,126
Other	12,883	5,651	12,909
Total revenues	<u>465,636</u>	<u>482,384</u>	<u>491,026</u>
Expenditures			
Current Operating:			
Instruction	251,936	269,845	274,713
Support services	173,095	184,162	181,565
Enterprise and Community Services	13,922	14,860	14,865
Non-capital facilities acquisition & construction	-	-	-
Debt Service:			
Principal	32,384	35,682	39,196
Interest	14,541	14,037	12,343
Bond issue costs	-	-	-
Total expenditures	<u>485,878</u>	<u>518,586</u>	<u>522,682</u>
Excess (deficiency) of revenues over expenditures	<u>(20,242)</u>	<u>(36,202)</u>	<u>(31,656)</u>
Other Financing Sources (Uses)			
Transfers in	9,136	6,897	9,741
Transfers out	(9,888)	(6,897)	(9,741)
Proceeds from borrowing	6,052	-	-
Defeasance of bonds	(2,759)	-	-
Payments to escrow agent	-	-	-
Proceeds from the sale of capital assets	3,602	4,521	2,306
Total other financing sources (uses)	<u>6,143</u>	<u>4,521</u>	<u>2,306</u>
Net change in fund balances	<u>\$ (14,099)</u>	<u>\$ (31,681)</u>	<u>\$ (29,350)</u>
Debt services as a percentage of noncapital expenditures	9.7%	9.6%	9.9%

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u> (restated)	<u>2008</u> (restated)	<u>2009</u>
\$ 178,203	\$ 181,356	\$ 173,147	\$ 147,352	\$ 166,522	\$ 174,568	\$ 181,847
150,705	183,619	148,013	157,062	164,182	168,438	151,376
16,263	17,165	31,751	467	200	35,373	37,042
24,441	50,806	59,734	59,613	30,009	15,511	10,271
-	-	-	-	-	-	10,206
3,100	1,251	3,784	4,135	6,947	4,864	3,717
64,116	59,191	68,903	68,060	80,134	82,435	89,014
4,213	9,651	9,477	9,312	10,446	11,383	12,300
7,171	7,259	6,872	7,123	7,178	7,963	7,524
2,128	1,752	3,017	5,365	7,531	6,907	3,310
15,533	9,885	10,996	12,352	13,674	14,068	13,450
<u>465,873</u>	<u>521,935</u>	<u>515,694</u>	<u>470,841</u>	<u>486,823</u>	<u>521,510</u>	<u>520,057</u>
254,343	261,213	269,938	264,431	276,929	299,642	301,457
156,682	158,112	167,967	172,953	182,918	202,661	192,384
14,837	14,282	15,558	15,448	15,077	15,467	16,386
15,637	9,177	5,274	6,491	7,633	3,140	6,899
42,981	47,532	42,053	7,721	8,039	6,966	7,291
8,983	6,563	3,987	1,736	1,412	1,546	1,499
4,314	111	-	-	-	-	-
<u>497,777</u>	<u>496,990</u>	<u>504,777</u>	<u>468,780</u>	<u>492,008</u>	<u>529,422</u>	<u>525,916</u>
<u>(31,904)</u>	<u>24,945</u>	<u>10,917</u>	<u>2,061</u>	<u>(5,185)</u>	<u>(7,912)</u>	<u>(5,859)</u>
8,850	16,535	17,919	10,700	10,704	8,748	9,913
(8,850)	(16,535)	(17,919)	(10,700)	(10,704)	(8,748)	(7,913)
490,933	11,900	-	-	2,125	15,220	-
-	-	-	-	-	-	-
(486,618)	(11,842)	-	-	-	-	-
996	757	8,717	434	1,796	1,616	743
<u>5,311</u>	<u>815</u>	<u>8,717</u>	<u>434</u>	<u>3,921</u>	<u>16,836</u>	<u>2,743</u>
<u>\$ (26,593)</u>	<u>\$ 25,760</u>	<u>\$ 19,634</u>	<u>\$ 2,495</u>	<u>\$ (1,264)</u>	<u>\$ 8,924</u>	<u>\$ (3,116)</u>
11.7%	11.1%	9.2%	2.0%	2.0%	1.6%	1.7%

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

Fiscal Year	Assessed Value (not including exempt property)										Total Taxes Imposed (Net Levy)	
	Real Property	Personal Property	Manufactured Structures	Public Utility	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
2000	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ 25,406	\$ -	\$ -	\$ 25,406	\$ 5.3534	\$ 136	\$ (21)	\$ 157
2001	n/a	n/a	n/a	n/a	26,719	-	-	26,719	6.9959	187	10	177
2002	n/a	n/a	n/a	n/a	27,989	-	-	27,989	6.9747	195	10	185
2003	27,152	1,969	14	1,438	30,573	15	1,784	28,804	7.2206	208	8	200
2004	28,176	1,886	13	1,391	31,466	16	1,909	29,573	7.1160	210	7	203
2005	29,274	1,835	15	1,457	32,581	16	2,107	30,490	7.1792	219	8	211
2006	30,798	1,833	14	1,251	33,896	17	2,512	31,401	4.7743	150	1	149
2007	32,185	1,864	14	1,309	35,372	17	2,830	32,559	5.2781	172	2	170
2008	34,288	1,860	14	1,273	37,435	18	3,201	34,252	6.5281	224	8	216
2009	36,094	1,902	14	1,383	39,393	23	3,635	35,781	6.5281	234	8	226

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 2003-2009: 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
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
2008	5.2781	1.2500	-	-	6.5281
2009	5.2781	1.2500	-	-	6.5281

Overlapping Total Property Tax Rates							
Fiscal Year	Multnomah County	Port of Portland	Metro	City of Portland	Portland Community College	Multnomah Education Service District	
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
2008	4.3434	0.0701	0.0966	4.5770	0.2828		0.4576
2009	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 previously been 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 allowed for the annual reauthorization of the GAP bonds for three years beginning in 2006-2007, allowing the District's permanent rate to increase up to \$5.2781. The Oregon legislature made this increase permanent as of July 1, 2009.

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 Nine Years Ago
Taxing District - 311 Portland School District
(dollars in thousands)

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ten Largest Taxpayers						
Pacificorp	\$ 268,620	1	0.75%	\$ 200,113	2	0.75%
Comcast Corp.	265,403	2	0.74	-		-
Portland General Electric	216,833	3	0.61	171,432	3	0.64
Weston Investment Co., LLC	203,838	4	0.57	-		-
US West Communications Inc./ Qwest Corporation	203,536	5	0.57	365,291	1	1.37
Port of Portland	180,816	6	0.51	-		-
Evraz Inc. NA	179,207	7	0.50	-		-
LC Portland LLC	160,983	8	0.45	-		-
555 SW Oak LLC	122,717	9	0.34	-		-
Northwest Natural Gas Co.	115,884	10	0.32	-		0.00
Fred Meyer, Inc.	-		-	120,337	4	0.45
One Eleven Tower LLC	-		-	116,261	5	0.44
Freightliner Corporation	-		-	114,497	6	0.43
Glimcher Lloyd Venture LLC	-		-	109,298	7	0.41
Wacker Siltronic Corporation	-		-	99,528	8	0.37
Oregon Arena Corporation	-		-	97,877	9	0.37
National Biscuit Co.	-		-	91,752	10	0.34
Subtotal of Ten Largest Taxpayers	1,917,835		4.62	1,486,386		4.83
All Other Taxpayers	33,862,852		95.38	25,232,803		95.17
Total All Taxpayers	\$ 35,780,687		100.00%	\$ 26,719,188		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
(dollars in thousands)

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
2000	\$ 157,234	\$ 148,099	94.19%	\$ 4,733	\$ 152,832	97.20%
2001	176,632	166,127	94.05	6,227	172,354	97.58
2002	185,436	174,460	94.08	5,476	179,937	97.03
2003	200,207	188,165	93.99	6,516	194,681	97.24
2004	203,294	191,750	94.32	5,461	197,211	97.01
2005	211,205	198,861	94.16	5,833	204,694	96.92
2006	149,862	141,470	94.40	3,831	145,300	96.96
2007	169,887	160,813	94.66	3,705	164,518	96.84
2008	216,645	202,448	93.45	3,426	205,875	95.03
2009	226,206	211,232	93.38	-	211,232	93.38

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.

Source: Multnomah, Washington, and Clackamas Counties, Division of Assessment and Taxation.

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)

Fiscal Year	General Bonded Debt			Percentage of Actual Taxable Value of Property ¹	Per Student ²	Per Student ²	Per Capita ⁴	Per Personal Income ⁵
	General Obligation Bonds	Less Amount Available for Repayment	Net General Obligation Bonds Outstanding					
2000	\$ 136,550	\$ 2,713	\$ 133,837	0.53%	\$ 2,445	\$ 4,283	\$ 341	\$ 91
2001	115,825	1,371	114,454	0.43	2,103	3,817	302	109
2002	92,175	(900)	93,075	0.33	1,719	3,155	249	135
2003	65,375	2,628	62,747	0.22	1,185	11,622	896	38
2004	34,675	2,256	32,419	0.11	663	11,629	827	43
2005	-	-	-	-	-	11,071	768	48
2006	-	-	-	-	-	10,922	747	52
2007	-	-	-	-	-	10,803	728	57
2008	-	-	-	-	-	10,856	728	- ⁶
2009	-	-	-	-	-	10,529	705	- ⁶

Fiscal Year	Other Governmental Activities Debt				Total District ³	Notes Payable	Per Student ²	Per Capita ⁴	Per Personal Income ⁵
	Limited Tax and G.O. Refunding Bonds	Certificates of Participation	Full Faith & Credit Obligations	Refunding Special Obligations					
2000	\$ 52,490	\$ 39,685	\$ -	\$ 8,455	\$ 234,467	\$ -	\$ 4,283	\$ 341	\$ 91
2001	42,755	35,945	-	7,405	207,751	-	3,817	302	109
2002	32,670	32,060	-	6,310	170,825	-	3,155	249	135
2003	513,474	28,015	-	5,160	615,591	-	11,622	896	38
2004	502,628	23,810	-	3,960	568,459	-	11,629	827	43
2005	500,485	19,435	-	2,705	527,592	-	11,071	768	48
2006	492,858	14,880	-	1,385	513,418	-	10,922	747	52
2007	484,836	10,130	-	-	500,687	2,125	10,803	728	57
2008	475,333	5,175	15,090	-	500,538	2,078	10,856	728	- ⁶
2009	465,622	-	15,090	-	484,839	2,035	10,529	705	- ⁶

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 699,186 from the US Department of Commerce, Bureau of Economic Analysis as reported in April 2009, Schedule 12.

⁵ Per Income is calculated using the personal income totals on Schedule 12.

⁶ Personal Income data for 2008 and 2009 not available at time of printing.

Schedule 10
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2009
(dollars in thousands)

<u>Overlapping Issuer</u>	<u>Net Property-tax Backed Debt¹</u>	<u>Percent Overlapping</u>	<u>Overlapping Debt²</u>
City of Portland	\$ 97,430	84.9505 %	\$ 82,767
METRO	187,667	35.4259	66,483
Multnomah County	56,570	72.0726	40,771
Portland Community College	234,345	45.3537	106,284
Tri-Met	36,380	35.6841	12,982
City of Lake Oswego	23,380	4.7366	1,107
East Multnomah Soil & Water Conservation	1,320	62.1557	821
Washington County	31,535	0.6303	199
Tualatin Hills Park & Rec. District	71,685	1.2444	892
Clackamas County	47,025	0.1174	55
Tualatin Valley Fire & Rescue District	29,000	2.1033	610
City of Milwaukie	875	0.9754	9
Clackamas Cty RFPD #1	4,985	0.1362	7
Mt. Hood Community College	5,645	0.0957	<u>5</u>
Subtotal, overlapping debt			312,992
Direct District net property-tax backed debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 312,992</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.

² Overlapping Debt is calculated using Net Property-tax Backed Debt times Percent Overlapping that are provided by Oregon State Treasury, Debt Management Division.

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 2009

Real Market Value	\$ 78,841,312
Debt Limit (7.95%) ¹	6,267,884
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>\$ 6,267,884</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>	<u>2008</u>	<u>2009</u>
Debt Limit	\$ 2,890,190	\$ 3,120,981	\$ 3,421,393	\$ 3,603,191	\$ 3,810,833	\$ 4,039,060	\$ 4,513,275	\$ 5,036,778	\$ 5,835,393	\$ 6,267,884
Total net debt applicable to limit	<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>	<u>-</u>
Legal debt margin	<u>\$ 2,737,349</u>	<u>\$ 2,987,144</u>	<u>\$ 3,306,939</u>	<u>\$ 3,510,116</u>	<u>\$ 3,750,086</u>	<u>\$ 4,006,641</u>	<u>\$ 4,513,275</u>	<u>\$ 5,036,778</u>	<u>\$ 5,835,393</u>	<u>\$ 6,267,884</u>
Total net debt applicable to the limit as a percentage of debt limit	5.29%	4.29%	3.35%	2.58%	1.59%	0.80%	0.00%	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 based on the following:

- ^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 (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
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	687,373	26,483,785	38,529	5.2
2007	699,186	28,385,388	40,598	5.0
2008	- ¹	- ¹	- ¹	5.2
2009	- ¹	- ¹	- ¹	11.5 ²

¹ Data for 2008 and 2009 not available at time of printing.

² As of June, 2009

Sources:

Population, personal income and per capita information: US Department of Commerce, Bureau of Economic Analysis as reported in April 2009.

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 Nine Years Ago

Employer	2009			2000		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Ten Largest Employers						
Intel Corp.	15,500	1	1.59%	11,000	2	1.13%
Fred Meyer Stores	14,684	2	1.50	13,600 ¹	1	1.40
Oregon Health & Science University	12,600	3	1.29	9,300	3	0.96
Providence Health System	12,000	4	1.23	8,938 ¹	4	0.92
Kaiser Foundation Health Plan	9,000	5	0.92	6,725	6	0.69
Legacy Health System	8,251	6	0.85	6,731 ¹	5	0.69
Nike Inc.	7,000	7	0.72	-	-	-
Wells Fargo & Co.	5,969	8	0.61	-	-	-
Multnomah County	5,640	9	0.58	-	-	-
City of Portland	5,587	10	0.57	5,172	10	0.53
State Government	-	-	-	6,684	7	0.69
Portland Public Schools	-	-	-	6,318	8	0.65
Safeway Stores	-	-	-	6,000	9	0.62
Subtotal of Ten Largest Employers	96,231		9.86	80,468		8.28
All Other Employers	879,769		90.14	891,732		91.72
Total Portland PMSA² Employment	976,000 ³		100.00%	972,200		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 and Skamania counties in Washington.

³ As of June 2009

Sources:

Portland Business Alliance, Book of Lists published in December 2008.

Chamber of Commerce and Employment Division, State of Oregon for 2000.

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		
	2007	2008	2009
Teachers	2,636.2	2,672.7	2,598.3
Educational Assistants	644.9	659.8	680.3
School Level Administration	138.8	142.0	150.5
District Level Administration	15.9	23.0	25.3
Other Staff	1,479.9	1,667.6	1,764.7
Total FTE	4,915.7	5,165.1	5,219.1

Note:

¹ Over time, ten years of data will be presented.

² The coding and categorization used by the State in the collection of this data has changed in fiscal 2008-09. Accordingly, the reporting of Other staff FTE in fiscal year 2007-08 has been modified and 81.8 FTE fewer are reported than last year.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Nutrition Services					
Number of Meals Served ¹					
Paid Meals	1,187,985	1,347,109	1,333,234	1,553,008	1,439,321
Reduced Meals	472,370	514,748	481,156	577,275	562,630
Free Meals	4,454,440	4,250,527	4,155,965	3,538,655	3,485,451
Total meals served	<u>6,114,795</u>	<u>6,112,384</u>	<u>5,970,355</u>	<u>5,668,938</u>	<u>5,487,402</u>
Average Daily Breakfast Served	16,376	14,782	14,017	12,343	11,344
Average Daily Lunch Served	18,107	19,798	20,164	19,875	19,867
Student Participation	43.65%	50.17%	53.46%	52.45%	47.98%
Transportation					
Number of buses	245	234	241	240	239
Total miles traveled	2,985,868	2,635,510	2,848,220	3,006,996	2,914,877
Cost per mile	\$ 3.87	\$ 4.38	\$ 5.09	\$ 5.42	\$ 5.77
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

	Footnotes	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Elementary Schools and Programs											
Abernethy (1924)	(12)										
Gross Floor Area (sq ft): 50,358											
Elementary Enrollment		185	198	204	213	199	203	366	357	342	349
Focus/Alt Prog Enroll (Environment)	(13)	185	190	218	225	233	-	-	-	-	-
Ainsworth w/Annex (1912)											
Gross Floor Area (sq ft): 57,593											
Elementary Enrollment		565	552	549	557	522	499	492	509	493	520
Alameda (1921)											
Gross Floor Area (sq ft): 64,138											
Elementary Enrollment		652	641	622	648	631	630	669	678	697	717
Arlita (1929)	(6)										
Gross Floor Area (sq ft): 76,489											
Elementary Enrollment		387	369	352	339	330	332	313	370	387	420
Astor (1949)	(6)										
Gross Floor Area (sq ft): 47,360											
Elementary Enrollment		349	352	337	311	283	287	279	331	381	438
Atkinson (1953)											
Gross Floor Area (sq ft): 58,057											
Elementary Enrollment		545	566	543	536	537	553	558	549	524	535
Beach (1928)	(6)										
Gross Floor Area (sq ft): 70,404											
Elementary Enrollment		637	553	504	468	411	419	414	412	426	484
Beverly Cleary (1959)	(4)										
Gross Floor Area (sq ft): 90,664											
Elementary Enrollment		186	196	191	208	225	211	215	210	578	557
Boise-Eliot (1926)	(6)										
Gross Floor Area (sq ft): 61,369											
Elementary Enrollment		696	685	672	647	584	523	461	415	412	423
Bridger (1951)	(1,5)										
Gross Floor Area (sq ft): 45,142											
Elementary Enrollment		301	284	309	431	378	387	388	421	470	320
Bridlemile (1956)											
Gross Floor Area (sq ft): 59,037											
Elementary Enrollment		475	477	449	436	460	450	459	458	468	464
Buckman (1922)											
Gross Floor Area (sq ft): 82,023											
Elementary Enrollment		563	536	530	534	526	529	537	506	481	498
Capitol Hill (1917)	(12)										
Gross Floor Area (sq ft): 47,275											
Elementary Enrollment		305	285	310	308	282	255	335	341	354	321
Chapman (1923)											
Gross Floor Area (sq ft): 62,962											
Elementary Enrollment		558	513	527	484	449	414	453	478	476	532
Chief Joseph (1949)	(12)										
Gross Floor Area (sq ft): 46,204											
Elementary Enrollment		326	320	298	287	266	234	393	359	361	370
Clarendon - Portsmouth (1970)	(4)										
Gross Floor Area (sq ft): 42,958											
Elementary Enrollment		456	417	393	416	338	339	325	401	587	499

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

	Footnotes	<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>	<u>2007-08</u>	<u>2008-09</u>
Clark @ Binnsmead (1955)											
Gross Floor Area (sq ft): 109,059											
Elementary Enrollment		537	531	532	556	515	499	500	508	507	719
Creative Science School	(1,6)										
Gross Floor Area (sq ft): 50,595											
Elementary Enrollment		-	-	-	-	-	-	-	-	-	260
Creston w/ Annex (1946)	(6)										
Gross Floor Area (sq ft): 80,940											
Elementary Enrollment		398	361	353	327	301	246	290	309	335	365
Duniway (1926)											
Gross Floor Area (sq ft): 67,492											
Elementary Enrollment		416	419	431	432	453	443	443	446	426	411
Faubion (1950)	(6)										
Gross Floor Area (sq ft): 57,846											
Elementary Enrollment		319	334	302	299	272	269	309	332	355	396
Forest Park (1998)											
Gross Floor Area (sq ft): 42,000											
Elementary Enrollment		226	284	334	377	407	456	517	508	502	512
Glencoe (1923)	(12)										
Gross Floor Area (sq ft): 64,378											
Elementary Enrollment		453	430	449	424	430	442	510	498	506	499
Grout (1927)	(16)										
Gross Floor Area (sq ft): 65,838											
Elementary Enrollment		354	323	295	248	314	320	310	333	349	339
Hayhurst (1954)	(13)										
Gross Floor Area (sq ft): 56,266											
Elementary Enrollment		288	259	271	259	212	353	358	345	329	351
Humboldt (1959)											
Gross Floor Area (sq ft): 46,865											
Elementary Enrollment		343	325	326	283	257	255	270	240	235	258
Irvington (1932)	(6)										
Gross Floor Area (sq ft): 65,285											
Elementary Enrollment		501	511	510	506	491	473	445	473	505	503
James John (1929)											
Gross Floor Area (sq ft): 63,697											
Elementary Enrollment		618	592	564	551	514	481	458	459	430	404
Kelly w/ Kelly Center (1957)											
Gross Floor Area (sq ft): 97,546											
Elementary Enrollment		554	526	481	491	491	478	484	439	464	468
King (1925)	(6)										
Gross Floor Area (sq ft): 88,957											
Elementary Enrollment		732	733	710	583	544	525	491	458	453	399
Laurelhurst (1923)											
Gross Floor Area (sq ft): 46,204											
Elementary Enrollment		512	526	526	561	561	558	581	561	536	606
Lee (1952)	(6)										
Gross Floor Area (sq ft): 73,276											
Elementary Enrollment		391	409	408	419	387	333	309	354	367	434

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

	Footnotes	<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>	<u>2007-08</u>	<u>2008-09</u>
Lent (1948)	(6)										
Gross Floor Area (sq ft): 76,478											
Elementary Enrollment		397	401	400	383	335	355	366	400	475	528
Lewis (1952)											
Gross Floor Area (sq ft): 48,380											
Elementary Enrollment		263	292	294	294	289	271	301	293	310	349
Llewellyn (1928)											
Gross Floor Area (sq ft): 50,651											
Elementary Enrollment		330	336	311	315	302	298	301	309	341	396
Maplewood (1948)	(12)										
Gross Floor Area (sq ft): 35,022											
Elementary Enrollment		295	305	309	279	288	285	315	307	308	331
Markham (1950)	(12)										
Gross Floor Area (sq ft): 82,794											
Elementary Enrollment		393	370	358	333	330	301	398	359	349	360
Marysville (1921)	(6)										
Gross Floor Area (sq ft): 53,490											
Elementary Enrollment		397	400	395	394	367	349	336	368	407	437
Ockley Green (1925)	(10)										
Gross Floor Area (sq ft): 71,937											
Middle School Enrollment		486	408	490	475	427	385	318	442	389	337
Peninsula (1952)	(6)										
Gross Floor Area (sq ft): 70,151											
Elementary Enrollment		331	323	328	333	293	271	254	299	326	370
Rieke (1959)											
Gross Floor Area (sq ft): 30,647											
Elementary Enrollment		278	288	307	266	276	266	267	280	322	348
Rigler (1931)	(3)										
Gross Floor Area (sq ft): 59,760											
Elementary Enrollment		506	525	492	474	489	466	442	538	562	525
Rosa Parks (2006)	(6)										
Gross Floor Area (sq ft): 45,147											
Elementary Enrollment		-	-	-	-	-	-	-	435	562	503
Roseway Heights (1921)	(4)										
Gross Floor Area (sq ft): 75,693											
Elementary Enrollment		510	467	470	489	446	433	429	406	660	565
Sabin (1927)	(2,5)										
Gross Floor Area (sq ft): 71,946											
Elementary Enrollment		415	394	370	292	393	413	422	432	451	363
Scott (1949)	(3)										
Gross Floor Area (sq ft): 62,681											
Elementary Enrollment		520	492	512	457	442	377	369	440	539	530
Sitton (1949)											
Gross Floor Area (sq ft): 58,762											
Elementary Enrollment		404	436	421	371	359	338	300	285	315	309
Skyline (1939)	(6)										
Gross Floor Area (sq ft): 37,245											
Elementary Enrollment		221	203	209	201	214	197	201	233	258	266

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

Footnotes	<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>	<u>2007-08</u>	<u>2008-09</u>
Stephenson (1964)										
Gross Floor Area (sq ft): 40,539										
Elementary Enrollment	385	369	393	353	352	348	325	310	320	327
Sunnyside Environmental (1925) (13)										
Gross Floor Area (sq ft): 54,361										
Elementary Enrollment	319	325	334	276	203	459	443	501	542	565
Vernon (1931)										
Gross Floor Area (sq ft): 72,323										
Elementary Enrollment	521	502	445	405	445	386	384	404	453	394
Vestal (1929) (6)										
Gross Floor Area (sq ft): 66,378										
Elementary Enrollment	243	241	227	367	344	322	294	343	389	428
Whitman (1954)										
Gross Floor Area (sq ft): 69,755										
Elementary Enrollment	417	453	475	433	431	421	404	384	370	369
Winterhaven (1930)										
Gross Floor Area (sq ft): 39,084										
Elementary Enrollment	165	159	169	167	254	296	339	344	335	345
Woodlawn (1926) (12)										
Gross Floor Area (sq ft): 61,595										
Elementary Enrollment	517	547	518	460	443	409	531	450	424	462
Woodmere (1954)										
Gross Floor Area (sq ft): 59,293										
Elementary Enrollment	488	474	503	490	477	458	449	422	418	398
Woodstock (1955)										
Gross Floor Area (sq ft): 69,135										
Elementary Enrollment	322	337	372	364	345	343	338	384	407	443
Middle Schools and Programs										
Beaumont (1926)										
Gross Floor Area (sq ft): 94,431										
Middle School Enrollment	629	631	670	610	577	542	536	500	460	458
Fernwood (1911) (4)										
Middle School Enrollment	591	575	608	632	644	582	466	347	-	-
George (1950)										
Gross Floor Area (sq ft): 78,713										
Middle School Enrollment	555	549	558	546	467	473	403	383	328	375
Gray (1951)										
Gross Floor Area (sq ft): 60,624										
Middle School Enrollment	507	508	526	533	497	520	496	457	421	420
Gregory Heights (1923) (4)										
Gross Floor Area (sq ft): 95,438										
Middle School Enrollment	781	812	821	740	718	630	691	471	-	-
Hosford (1925)										
Gross Floor Area (sq ft): 77,050										
Middle School Enrollment	431	426	374	386	377	405	448	476	516	531
Jackson (1964)										
Gross Floor Area (sq ft): 247,779										
Middle School Enrollment	808	796	807	823	768	773	694	688	714	712

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

	Footnotes	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Kellogg (1917)	(5)										
Gross Floor Area (sq ft): 94,592											
Middle School Enrollment		645	645	667	671	633	591	482	269	-	-
Lane (1926)											
Gross Floor Area (sq ft): 87,438											
Middle School Enrollment		657	678	696	652	638	592	553	527	489	419
Mt. Tabor (1952)											
Gross Floor Area (sq ft): 83,076											
Middle School Enrollment		672	670	700	707	729	696	676	633	588	555
Portsmouth (1927)	(4)										
Gross Floor Area (sq ft): 75,814											
Middle School Enrollment		403	434	489	522	466	460	429	286	-	-
Sellwood (1913)											
Gross Floor Area (sq ft): 86,823											
Middle School Enrollment		533	584	602	619	593	603	564	515	459	474
West Sylvan (1953)											
Gross Floor Area (sq ft): 104,009											
Middle School Enrollment		878	907	915	947	897	884	878	896	886	863
High Schools and Programs											
Benson (1917)											
Gross Floor Area (sq ft): 410,910											
High School Enrollment		1,486	1,475	1,479	1,501	1,498	1,501	1,452	1,294	1,218	1,134
Focus/Alt Prog Enroll (Night School)		-	-	-	-	10	20	15	10	-	-
Cleveland (1929)											
Gross Floor Area (sq ft): 253,895											
High School Enrollment		1,242	1,322	1,366	1,381	1,388	1,332	1,449	1,472	1,528	1,516
Franklin (1915)	(5)										
Gross Floor Area (sq ft): 237,027											
High School Enrollment		1,464	1,488	1,470	1,460	1,528	1,547	1,404	1,283	1,233	1,007
Grant (1923)											
Gross Floor Area (sq ft): 275,173											
High School Enrollment		1,912	1,794	1,798	1,848	1,835	1,848	1,815	1,691	1,642	1,553
Focus/Alt Prog Enroll (Night Sch)	(9)	90	83	82	100	98	76	91	-	-	-
Jefferson (1909)	(5,8)										
Gross Floor Area (sq ft): 360,911											
High School Enrollment		842	892	855	826	702	661	647	566	707	631
Lincoln (1950)											
Gross Floor Area (sq ft): 236,893											
High School Enrollment		1,304	1,374	1,469	1,429	1,483	1,444	1,485	1,498	1,404	1,335
Madison (1955)	(3)										
Gross Floor Area (sq ft): 370,112											
High School Enrollment		1,236	1,241	1,204	1,261	1,194	1,063	983	936	859	900
Marshall (1959)	(9,11)										
Gross Floor Area (sq ft): 271,427											
High School Enrollment		1,332	1,278	1,222	1,102	949	906	955	860	775	774
Roosevelt w/ Auto Shop (1921)	(8)										
Gross Floor Area (sq ft): 274,478											
High School Enrollment		1,155	1,131	1,141	989	825	850	778	794	730	703

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

Footnotes	<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>	<u>2007-08</u>	<u>2008-09</u>
Wilson (1954)										
Gross Floor Area (sq ft): 326,062										
High School Enrollment	1,576	1,614	1,644	1,630	1,580	1,531	1,632	1,556	1,533	1,480
Facilities with Focus/Alternative Programs										
daVinci (Monroe) (1928)										
Gross Floor Area (sq ft): 99,219										
Focus/Alt Prog Enroll. (da Vinci)	318	316	319	320	327	350	380	444	458	445
Focus/Alt Prog Enroll. (Monroe) (8)	48	41	34	20	-	-	-	-	-	-
Focus/Alt Prog Enroll. (PIVOT) (8)	13	2	12	15	-	-	-	-	-	-
Focus/Alt Prog Enroll. (Natv. Mont)	-	-	-	-	-	23	22	9	22	20
Meek (1953) (16)										
Gross Floor Area (sq ft): 32,477										
Elementary Enrollment	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	426	419	418	420	432	439	447	439	444	424
Richmond (1908) (12)										
Gross Floor Area (sq ft): 77,070										
Elementary Enrollment	490	477	470	443	415	393	309	360	436	505
Enrollment in other Focus/Alt. Programs										
Focus/Alt Prog Enroll. (Alliance HS) (9)	-	-	-	-	-	-	-	366	292	288
Focus/Alt Prog Enroll. (Head Start)	566	606	527	620	539	528	625	606	674	696
Focus/Alt Prog Enroll. (ACCESS)	-	-	-	-	-	-	-	-	-	159
Focus/Alt Prog Enroll. (Turnarnd) (8)	49	42	-	-	-	-	-	-	-	-
Focus/Alt Prog Enroll. (ESL) (8)	-	17	32	9	-	-	-	-	-	-
Inactive School and Other Facilities										
Applegate (1954) (12)										
Gross Floor Area (sq ft): 26,101										
Elementary Enrollment	242	203	212	209	198	138	-	-	-	-
Ball (1948) [sold in 2007] (6)										
Gross Floor Area (sq ft): 24,594										
Elementary Enrollment	333	318	309	312	226	228	271	-	-	-
BESC (1978)										
Gross Floor Area (sq ft): 381,723										
Binnsmead (1949) (1)										
Middle School Enrollment	647	699	735	769	687	687	680	484	346	-
Brooklyn (1930) (16)										
Gross Floor Area (sq ft): 39,084										
Elementary Enrollment	139	156	140	121	-	-	-	-	-	-
Child Service Center (1924)										
Gross Floor Area (sq ft): 190,597										
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)

	Footnotes	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Edwards (1960)	(12)										
Gross Floor Area (sq ft): 20,502											
Elementary Enrollment		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 Enroll (Meek HS)	(9)	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)	(12)										
Gross Floor Area (sq ft): 52,363											
Elementary Enrollment		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)	(12)										
Gross Floor Area (sq ft): 38,472											
Elementary Enrollment		239	234	252	251	238	219	-	-	-	-
East Sylvan (1933)											
Gross Floor Area (sq ft): 24,986											
Terwilliger (1916)											
Gross Floor Area (sq ft): 24,646											
Tubman w/ Annex (1952)	(5)										
Gross Floor Area (sq ft): 96,860											
Middle School Enrollment		565	541	517	463	373	294	273	131	-	-
Whitaker/Adams - Killingsworth (1967)	(12)										
Gross Floor Area (sq ft): 268,899											
Middle School Enrollment		-	-	-	-	-	-	-	-	-	-
Whitaker Lakeside Holding (1953)	(12)										
Gross Floor Area (sq ft): 63,501											
Middle School Enrollment		703	675	482	441	357	289	-	-	-	-
Wilcox (1959)	(16)										
Gross Floor Area (sq ft): 19,102											
Elementary Enrollment		185	195	197	-	-	-	-	-	-	-
Youngson (1955)	(16)										
Gross Floor Area (sq ft): 32,824											
Elementary Enrollment		197	185	177	-	-	-	-	-	-	-

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

	Footnotes	<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>	<u>2007-08</u>	<u>2008-09</u>	
Enrollment Summary:												
Regular Programs												
Elementary Schools		25,469	24,987	24,784	23,819	22,605	22,186	22,038	22,786	24,404	25,124	
Middle Schools		10,323	10,446	10,486	10,381	9,748	9,371	8,649	7,507	5,665	5,252	
High Schools		13,549	13,609	13,648	13,427	12,982	12,683	12,600	11,950	11,629	11,033	
Focus/Alternative Programs		1,582	1,592	1,483	1,597	1,470	1,232	1,317	1,430	1,432	1,587	
Plus enrollment not normally within PPS facilities:												
Community Based Programs	}	(6-12)	1,706	1,416	1,297	1,381	1,270	1,171	1,308	1,303	1,342	1,282
Special Education Programs		(7-15)	2,117	2,311	2,330	2,170	462	562	525	548	539	522
Public Charter Programs		(8)	-	66	122	194	346	451	571	824	1,077	1,246
Total Enrollment		54,746	54,427	54,150	52,969	48,883	47,656	47,008	46,348	46,088	46,046	

Gross Floor Area (sq ft) Summary:

	<u>Oldest</u>	<u>Median</u>	<u>Newest</u>
Elementary Schools	3,480,971	97	63
Middle Schools	1,185,787	98	83
High Schools	3,016,888	100	83
Focus/Alternative Schools	276,901	101	88
Other Facilities	<u>1,547,110</u>	96	56
Total Gross Floor Area (sq ft)	<u>9,507,657</u>	101	62

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.

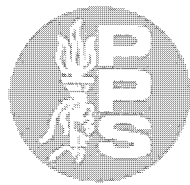
Enrollment - PPS Budget Office/Management Information Services, "Enrollment Summaries, October 2008". Enrollment counts are compiled on or about the first of October. An enrolled student is defined as a student who attends one or more schools or programs within the District. Regardless of the number of schools or programs attended, each student is counted only once; the counts are unduplicated.

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

Footnotes:

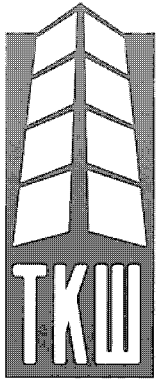
Program type (i.e., elementary, middle, high, etc.) reflects the most recent administrative assignment. In recent years enrollment counts are compiled on or about the first of October. An enrolled student is defined as a student who attends one or more schools or programs within the District. Regardless of the number of schools or programs attended, each student is counted only once; the counts are unduplicated. Schools and programs that are no longer in operation are designated as 'closed'.

- (1) For the 2008-09 school year, Binnsmead closed and Clark moved from the Clark site into the Binnsmead site. The Creative Science School Program (CSSP) expanded and moved from Bridger Elementary to the Clark site.
- (2) The ACCESS Program is located at Sabin site but is a district-wide alternative education program drawing students district wide. Starting in 2008-09 the enrollment for ACCESS has been separated from Sabin elementary
- (3) For the 2008-09 school year, Scott and Rigler will remain K-7 schools. Students that matriculated from 7th to 8th grade will attend the Madison 8th Grade Academy.
- (4) For the 2007-08 school year, Clarendon ES and Portsmouth MS merged to form a KG-8 school. Enrollment counts for years prior to 2007-08 for Clarendon consist of grades KG-5 only. Enrollment counts for Portsmouth prior to 2007-08 are contained in the MS section of this report. Similarly, Hollyrood ES and Fernwood MS merged to form a KG-8 school (renamed Beverly Cleary) as did Rose City Park ES and Gregory Heights MS (renamed Roseway Heights).
- (5) For the 2007-08 school year, Kellogg MS was closed. Eighth grade students that would have been enrolled at Kellogg for the 2007-08 school year were enrolled at Franklin HS. Tubman MS was also closed and a new Young Women's Academy was opened on the Tubman campus as part of Jefferson High School.
- (6) Transitioning or recently transitioned to KG - 8.
- (7) Day and Residential Treatment Programs (Long term care and treatment).
- (8) No students enrolled for current school year.
- (9) For the 2006-07 school year, Meek Professional Technical HS, Portland Night HS at Grant, Marshall Night HS, and Madison Focus (shown in Madison enrollment in prior years) merged to form Alliance High School.
- (10) For the 2006-07 school year, Ockley Green converted from a Middle School to a KG-8, and Kellogg and Portsmouth no longer received sixth grade students.
- (11) For the 2005-06 school year, two high schools located at the Marshall campus, Linus Pauling Academy and Portland Academy of International Studies, merged into one school renamed Pauling Academy of Integrated Sciences.
- (12) Applegate, Edwards, Kenton, Richmond and Smith Elementary Schools were closed at the end of the 2004-05 school year. Whitaker Middle school was closed as well. Most elementary school-aged students residing in the Applegate neighborhood area went on to attend Woodlawn. Similarly, students residing in the Edwards neighborhood area went on to attend Abernethy, those at Kenton to Chief Joseph; those at Richmond to Abernethy, Creston or Glencoe; and those at Smith went on to Capitol Hill, Maplewood or Markham. Most middle school students residing in the Whitaker neighborhood area went on to attend Tubman. A new focus/option school was established at the Richmond ES site.
- (13) For the 2004-05 school year, the Environmental Middle School combined with Sunnyside Elementary and was renamed as Sunnyside Environmental School. In addition, the Odyssey program and its students (formerly at Chapman Elementary) moved to Hayhurst Elementary. The Family Cooperative program (formerly at Sunnyside) moved to Bridger Elementary.
- (14) Pioneer Schools consist of elementary, middle and high school programs. It was formerly known as ES B Program at Youngson, MS B Program at Foster and HS B Program at Columbia.
- (15) As of the 2003-04 school year, enrollment summaries no longer include the following programs: Hospital Programs (Emanuel, Oregon Health Science University, Shriners Hospitals); M.E.S.D. Functional Living Skills; Portland Early Intervention Program (PeiP) and Columbia Regional Programs (Autism, Deaf and Hard of Hearing, Orthopedic and Vision Oregon State and Oregon State and Services). Administration of the Hospital Programs, Functional Living Skills and PeiP was transferred to Multnomah Education Service District (M.E.S.D.). Historically, enrollments reported for Columbia Regional Programs represent non-District students served by PPS staff on a part-time basis. For purposes of State reporting, membership (i.e., enrollment) the Columbia Regional Program students are reported by the resident District.
- (16) Brooklyn and Meek Elementary Schools were closed at the end of the 2002-03 school year. Most students residing in the Brooklyn neighborhood area went on to attend Grout Elementary, while those residing in the Meek neighborhood area attended Vernon Elementary. Similarly, Wilcox and Youngson Elementary Schools were closed at the end of the 2001-02 school year. Most students residing in the Wilcox neighborhood area went on to attend Vestal Elementary, while those residing in the Youngson neighborhood area attended Bridger Elementary.



**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 the audit of such statements and schedules are set forth in the following pages.



AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

December 7, 2009

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

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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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2009. 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.

ACCOUNTING RECORDS

The District's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

INTERNAL CONTROLS

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

COLLATERAL

The District has complied with Oregon Revised Statutes Chapter 295 in relation to deposit accounts.

INDEBTEDNESS

The general obligation bonded debt of the District is in compliance with the limitation imposed by Oregon Revised Statutes. We noted no defaults in principal, interest, sinking fund or redemption provisions with respect to any of the District's bonded debt, and no breach of the bond agreements, at June 30, 2009.

BUDGET

The District appears to have complied in all material respects 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, 2009, and the preparation and adoption of its budget for the year ending June 30, 2010, with the following exceptions:

- One Supplemental Budget was not published in accordance with the requirements of Oregon Revised Statutes.
- Expenditures for the General Fund exceeded appropriations in the following categories (in thousands):

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

Page 2

BUDGET (Continued)

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
Facilities acquisition and construction	\$ 3,150	\$ 3,927	\$ (777)
Debt service	882	1,007	(125)

The 21st Century Capital Projects Fund has a GAAP basis deficit fund balance of \$2,467 at June 30, 2009.

A description of the budgeting process is included in the Notes to the Basic Financial Statements.

INSURANCE AND FIDELITY BONDS

We reviewed the District's legally required insurance and fidelity bond coverage at June 30, 2009. 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 District-owned property at June 30, 2009.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed the District's compliance with appropriate laws, rules, and regulations that could have a material impact on the basic financial statements for programs funded wholly or partially by other governmental agencies. The District is in compliance with the guidelines in all material respects.

In a separate report dated December 7, 2009, we have reported on the Schedule of Expenditures of Federal Awards. We have also reported on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards*, and on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

INVESTMENTS

Public funds appear to be invested in compliance with Oregon Revised Statutes Chapter 294, except that on one occasion the District held funds in the Oregon Local Government Investment Pool which amount and duration exceeded the statutory limits.

PUBLIC CONTRACTS AND PURCHASING

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

STATE SCHOOL FUND

We have reviewed the District's system for reporting average daily attendance and related items to the State of Oregon Department of Education, in compliance with Oregon Revised Statutes Chapter 327. We found no instances in which the District had not properly reported the required information.

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

Page 3

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.

* * * * *

This report is intended solely for the information and use of the Board of Education, 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



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

December 7, 2009

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

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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, 2009, and have issued our report thereon dated December 7, 2009. 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.

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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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:

- The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2008 and recorded a liability for Other Postemployment Benefits (OPEB). Due to the complexity of the OPEB calculation, an error was made which resulted in an overstatement of the OPEB liability of approximately \$5.6 million with a corresponding understatement of net assets. This error has been corrected and beginning net assets have been restated.

**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

- The District recorded payroll benefit costs by applying an estimated rate to total payroll costs. This estimate is reviewed and adjusted annually. At June 30, 2008, benefit costs were not reviewed retrospectively which resulted in over charges to programs and an overstatement of liabilities of approximately \$2.5 million. As a result, the beginning General Fund fund balance and net assets have been restated.
- The District previously recorded a liability for its estimate of over payments of State School Support. Under the modified accrual basis of accounting, State School Support should be recorded as revenue when it is measurable and available to finance expenditures of the fiscal period. As a result, the liability has been extinguished and beginning General Fund fund balance and net assets have been increased by approximately \$2.6 million.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiencies described above are 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 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, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Kowala & Warwick LLP

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

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2008-09 CAFR Preparation

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