

School District No. 1J, Multnomah County, Oregon

PORTLAND PUBLIC SCHOOLS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2011



Marshall High School 1961-2011

At Portland Public Schools, this is our goal: By the end of elementary, middle, and high school, every student by name will meet or exceed academic standards and will be fully prepared to make productive life decisions. Portland Public Schools is an equal opportunity educator and employer.

About the cover

In the aftermath of World War II, residential development in southeast Portland boomed as new, more suburban neighborhoods sprung up on the periphery of Portland's city limits. Built in response to this growth, John Marshall High School reflected prevailing ideas concerning high school design in the 1950s and 1960s. At \$4.8 million, the cost of construction surpassed all previous high schools constructed by PPS.

John Marshall High School was originally called Southeast High School until it was renamed for the U.S. Supreme Court justice who was credited with establishing the principle of judicial review. The school featured a square corridor plan with the various functions of the school decentralized around all parts of the square.

John Marshall High School marked a half-century of use in June 2011 and was closed as a high school as part of a District-wide High School system design. Beginning in July 2011, the John Marshall campus shifted its purpose to civic use as a community training, meeting and athletic events facility.

Portland Public Schools

Comprehensive Annual Financial Report

For the year ended June 30, 2011

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, 2011

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PORTLAND PUBLIC SCHOOLS

501 North Dixon Street / Portland, OR 97227
Telephone: (503) 916-3200 / Fax: (503) 916-3110
Mailing Address: P. O. Box 3107/97208-3107
Email: csmith1@pps.k12.or.us

OFFICE OF THE SUPERINTENDENT

Carole Smith
Superintendent

December 15, 2011

To the Citizens of School District No. 1J, Multnomah County, Oregon,
and to the 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 or PPS) for the fiscal year ended June 30, 2011, together with the audit opinion thereon of our auditors as required by Oregon Revised Statutes. 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' 2010 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. New this year is the implementation of GASB Statement No. 54, which changes the way the District reports its fund balances in the governmental type fund reporting.

The **Statistical Section** includes selected financial and demographic information, generally presented on a multi-year basis. This CAFR marks the seventh 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 (estimated pop. 566,100), Lake Oswego (estimated pop. 37,500), and Milwaukie (estimated pop. 20,800). The District maintains over 100 facilities with a total floor area of approximately 9.2 million square feet. Please see the Statistical Section, Schedule 16 for details of each building's size, age, and enrollment.

Student enrollment in the Fall of 2010 was 46,803. October 1 enrollment counts are reported to the state in November of each year, allowing time for data entry and confirmation of student records. 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⁾	Enrollment	Distribution
Regular Schools and Programs			
Elementary Schools	K-5, K-8, PK-8, PK-5, 1-8	25,874	55%
Middle Schools	6-8	5,142	11%
High Schools	9-12, 8-12, 6-11, 6-12	10,978	23%
Total Regular Schools		41,994	89%
Magnet/Special Focus Programs	PK, K-12, 9-12, 10-12	1,661	4%
Total Regular & Special Focus		43,655	93%
Community-Based Programs	9-12, 6-8, 6-12	1,275	3%
Special Education Programs	K-12	387	1%
Public Charter Programs	K-4, K-5, K-12, 6-8, 9-12	1,486	3%
Total Programs and Enrollment		46,803	100%

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

Source: PPS; Enrollment Summaries, October 2010

After more than a decade of steady decline beginning in 1996-97, Portland Public Schools has seen increasing enrollment counts for the last three years since a nadir in October, 2008 with the early counts for 2011 continuing this trend. The decline was primarily a result of lower birth rates and higher housing prices driving migration out of the district. As those two causes have abated somewhat PPS has started to experience increased enrollment. This growth is essentially reflected in higher numbers in the younger grades offsetting lower numbers in middle and high school grade levels as the cohorts of students from earlier years are aged through the system. PPS contracts with the Portland State University Population Research Center (PSUPRC) for forecasting and analysis of population and enrollment trends. PPS is running ahead of the most recent medium growth forecast from PSUPRC which showed continued steady but modest increase in District enrollment with the total reaching 47,732 by 2015-16. Under this scenario the numbers in early grades would continue to increase - albeit more modestly than in recent experience. Middle grades would increase as the students currently in younger grades move through the system, and high school numbers would be relatively flat.

The October 2011 enrollment of 47,288 shows an increase of 485 students over October 2010, again with growth in younger grades and expanding slight increase in District charter schools. This most recent count is close to the growth rate in the PSUPRC projections.

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 ultimately 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 their 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 English language learners and 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 the 2009 Oregon Revised Statutes 297.405 to 297.555 and 297.990. 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 amended through procedures specified in State statute and Board policy.

Service Efforts and Accomplishments – The PPS Milestones Framework

Portland Public Schools’ core mission is to ensure that every student, by name, succeeds regardless of race and class. This means that PPS must provide its 47,000 students the instruction and support they need to succeed at every grade, so they graduate on time and are prepared for college, career and citizenship. The District has set measures – a Milestones Framework – to gauge student achievement at key learning stages, from the earliest grades through graduation day.

The Milestones Framework was designed to rely on existing tools and statistics – including annual state assessment results, American College Testing (ACT) scores and graduation rates – to measure how students are performing at particular points in their education. Research shows that these measures, at these junctures, predict whether students will graduate on time and be ready for college or a career. We have set goals for better student performance so we can hold ourselves accountable to our families and our community, and to see which educational strategies are working to produce better results.

Results for 2010-2011

There are five Milestones Measures. PPS sorts data results by racial subgroups to quantify the achievement gap – the extent to which race predicts academic success.

In 2010-11 PPS set specific targets for three key Milestones Measures to evaluate progress (third grade reading, seventh grade writing and students entering tenth grade on-track to graduate). The goal was to increase the overall performance on each of these measures by five percentage points and at the same time to reduce

<h2 style="text-align: center;">Summary: One Year Milestones Targets</h2>			
Goal	2009-10 Actual	2010-11 Target	2010-11 Actual
3rd Grade Reading To Learn: % Exceeding Benchmarks (Final Data)			
Keep Up: All Students	46%	+5	+5 (51%)
Catch Up: Largest Gap	43 pts	Gap -5	-5 (38 pts)
<ul style="list-style-type: none"> • 2009-10: African American students 43% • 2010-11: Hispanic students 38% 			
7th Grade Writing: % Meeting Benchmarks (Final Data)			
Keep Up: All Students	52%	+5	+10 (62%)
Catch Up: Largest Gap African American students	33 pts	Gap -5	-4 (29 pts.)
Enter 10th grade on track: % with 6 credits, at least C in core subjects (Final Data)			
Keep Up: All Students	54%	+5	+5 (59%)
Catch Up: Largest gap African American Students	33 pts	-5	-5 (28%)

the disparity in outcomes between white students and the lowest reported racial sub-group by five percentage points. The targets were achieved in five out of six cases, and the result was an improvement of four percentage points in the sixth as indicated below.

While, overall, students are showing progress at most Milestones and there has been progress in closing some achievement gaps, there remains much that PPS schools need to do to help students of color to experience results at the same level as their white peers while raising results for all of our students to the levels that they deserve.

1. Students entering first grade should be ready to read

- PPS did not report progress on the first grade milestone for 2010-11. Working in partnership with other school districts in Multnomah County under the Cradle-to-Career initiative, we are re-evaluating whether our definition of this Milestone aligns well with the type of student performance shown by other Milestones. In addition, there have been changes to how data for this Milestone have been collected and reported over time that make year-to-year comparisons unreliable.

2. By the end of third grade, students should be reading to learn

- Result: 51% of third-graders met this measure, an increase of 5 percentage points from 46% in 2009-10. **PPS met the target of increasing performance by five percentage points.**
- How it's measured: Third-graders must exceed the benchmark on a state reading test. Our research has indicated that students who exceed (not merely meet) this measure are far more likely to succeed in eighth grade and demonstrate readiness for high school.
- Racial achievement gap: The largest gap exists between black and white students (38%). This represents a reduction of five percentage points in the largest gap compared to 2009-10 results, when it was 43%. **PPS met the target of reducing the largest gap by five percentage points.**

3. Students should be ready for high school

- This Milestone has three parts:
 - Seventh-graders must meet the state writing benchmark. In 2010-11 62% of seventh-graders met this benchmark, an increase of ten percentage points from the previous year, when this number was 52%. **PPS met the target of increasing performance by five percentage points.**
 - Students must pass algebra by the start of high school. In 2010-11, 64% of eighth-graders passed algebra, up from 57% - an increase of seven percentage points.
 - Seventh grade attendance must be 90 percent or greater. In 2010-11, 86% of seventh-graders met this mark, up from 83%.
- Racial achievement gap:
 - For the seventh-grade writing benchmark, the largest gap is between black and white students (29%, a decrease of four percentage points). **PPS did not quite meet the target of reducing this gap by five percentage points.**
 - For eighth-grade algebra, the largest gap is also between black and white students (29%, an increase of three percentage points).
 - For attendance, the largest gap is between American Indian/Alaskan Native and white students (23%, decrease of ten percentage points).

4. Sophomores should be on track to graduate

- Result: 59% of students met this milestone, an increase of five percentage points from 2009-10. **PPS met the target of increasing performance by five percentage points.**

- How it's measured: Students must enter 10th grade with six or more credits and earn a "C" or above in core subjects (science, social studies, math and english).
- Racial achievement gap: The largest gap exists between native American and white students (28% a decrease of five percentage points. **PPS met the target of reducing this gap by five percentage points.**

5. Students should graduate on time, equipped for work and college

- This Milestone has two parts:
 - Students must meet "college ready" benchmarks on the ACT test. In 2010-11, 24% of juniors scored "college ready on three or four ACT tests, an increase of one percentage point from 23% the previous year.
 - Students must graduate within four years. In the 2006-07 to 2010-11 cohort, 54% of PPS students graduated on time, a one percentage point increase from the cohort one year earlier.
- Racial achievement gap:
 - For the ACT test, the largest gap is between black and white students (31%).
 - For the graduation rate, the largest gap is between hispanic and white students (28%).

PPS is taking a number of actions to improve student performance. These actions include, but are not limited to, providing greater support for high-needs "Academic Priority Zone" schools, nurturing collaboration across schools, offering focused professional development to improve curriculum and instruction, ensuring students have access to rigorous courses and continuing to support intervention programs such as the summer academies for students who need extra opportunity to stay on track to meet their educational goals and the Nike School Innovation Fund-sponsored Portland Leadership Collaborative, which provides time and support for school teams to reflect upon and improve practice.

Another indicator of student achievement is the state report cards issued by the Oregon Department of Education. The report cards assign a rating of "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. For 2010-11, 37 District schools (41 percent) were rated Outstanding, 42 schools (46 percent) were rated Satisfactory, and 12 schools (13 percent) were rated In Need of Improvement. This compares favorably with the overall numbers for schools across the state, where 28 percent were Outstanding, 64 percent were Satisfactory and 8 percent were In need of Improvement

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.

Ever since the passage of Measure 5 more than twenty years ago school districts across Oregon rely upon the state for the majority of their financing. Even though districts collect revenue locally through the property tax, school funding is essentially equalized through the

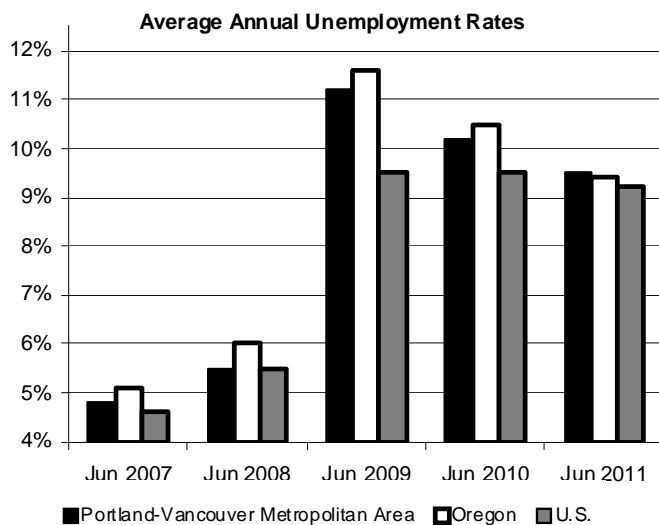
Oregon Employment by Industry (not seasonally adjusted)	June		Change from prior year
	2010	2011	
Trade, Transportation & Utilities	307.7	310.8	1.0%
Government	303.3	294.0	-3.1%
Education & Health Services	228.3	237.0	3.8%
Professional & Business Services	181.3	185.5	2.3%
Leisure & Hospitality	162.4	169.5	4.4%
Manufacturing	164.3	167.3	1.8%
Financial Activities	93.0	94.1	1.2%
Construction	67.3	70.1	4.2%
Information	32.7	33.1	1.2%
Mining & Logging	6.8	6.6	-2.9%
Other Services	57.9	57.0	-1.6%
Total non-farm workforce (in thousands)	1,605.0	1,625.0	
Workforce change from prior year	-0.2%	1.2%	

allocations under the state school fund. Oregon is more dependent upon a single revenue source, state income tax, than any other state in the country. So the financial outlook for PPS is tied closely to the condition of the Oregon economy.

State economy. Oregon’s unemployment rate has declined from a June 2009 level of 11.6% to a June 2011 rate of 9.4%. Oregon’s unemployment rates have been higher than the U.S. average and among the highest in the nation, and are an indication the economy remains weaker than the nation as a whole. Reduced housing and construction activity, coupled with reduced home values have been contributing factors in the overall decline in state funding for education. Federal stimulus funding has replaced some lost State revenues but is not expected to continue beyond the 2010-11 fiscal year.

As to the outlook for the state economy, a recent forecast is that modest economic growth remains the most likely scenario, although stagnation and outright recession are major risks. Traditionally stable school revenue sources (property taxes and lottery funds) also have clear downside risks. Further public sector downsizing appears likely – both in Oregon and across the United States. Long-term U.S. and

Oregon economic growth depends upon restoring international competitiveness through productivity enhancing investments in physical capital, human capital, and infrastructure.



Local economy. The Portland metropolitan area has a diversified economy, with centralized, accessible schools, and excellent public transportation. The area is a major West Coast distribution point for wholesale trade and high tech exports. The local economy however reflects the state’s poor economy with a reduced workforce at June 2011 and an unemployment rate of 9.5%.

PPS has the authority to generate revenue locally through the local option levy and has, thanks to the generous support of PPS voters, been able to approve local levies. Most

recently, PPS voters approved a new five-year levy in May, 2011. Whereas the outlook for state revenue is dependent upon the impact of economic activity in income tax collections, locally the revenue available under the local option levy is a reflection of the impact of the economy on tax assessed values and, most particularly, market values of taxable property within PPS. The state of the local economy has an impact on this potential revenue. Reduction in market values of residential property within the PPS area in the past three years has reduced the income of the school district.

Long-term financial planning. As mentioned above, PPS improved the medium-term fiscal outlook with the passage of the five-year local option property levy. PPS operates well over 100 buildings on its 85 school campuses. The average age of the school buildings in service is roughly 64, about 20 years older than the average for school buildings nationally. Through more than a decade of tight budgets and shortfalls, PPS has chosen to support core instructional services, and has not invested General Fund dollars in capital improvements to its buildings. In May, 2011, PPS placed a capital bond on the ballot that would have provided \$548 million in funding for school construction and capital improvement projects. The bond was not approved. PPS is reviewing its long-range facilities plan and evaluating next steps in financing the needed work to bring its school buildings up-to-date.

In 2009-10, the District completed some capital projects through partnerships and innovative financing, including energy-efficient school roof replacements. In 2009-10 the Board also established an IT Projects Fund to improve classroom technology information systems. In 2010-11 the District took advantage of federal recovery zone bonds to fund approximately \$11 million in projects to improve building energy and water-efficiency. The federal subsidy reimburses 45% of the interest expenditure.

After the first year and after utility upgrades, the savings is expected to cover the costs of the bond retirement expenditures.

Independent Audits

The provisions of Oregon Revised Statutes 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 audit 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, 2010. This was the 31st 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.

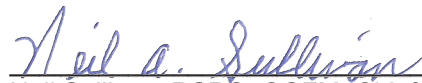
The Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the 31st consecutive year that the District earned this significant 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 2011 CAFR, which will be submitted to ASBO for review, will also conform to these standards.

We wish to express our appreciation to 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.

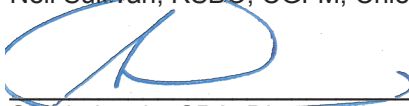
Respectfully submitted,



Carole Smith, Superintendent



Neil Sullivan, RSBO, CGFM, Chief Financial Officer



Sharie Lewis, CPA, Director, Accounting and Payroll Services

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON
Principal Officials
At June 30, 2011

SCHOOL BOARD

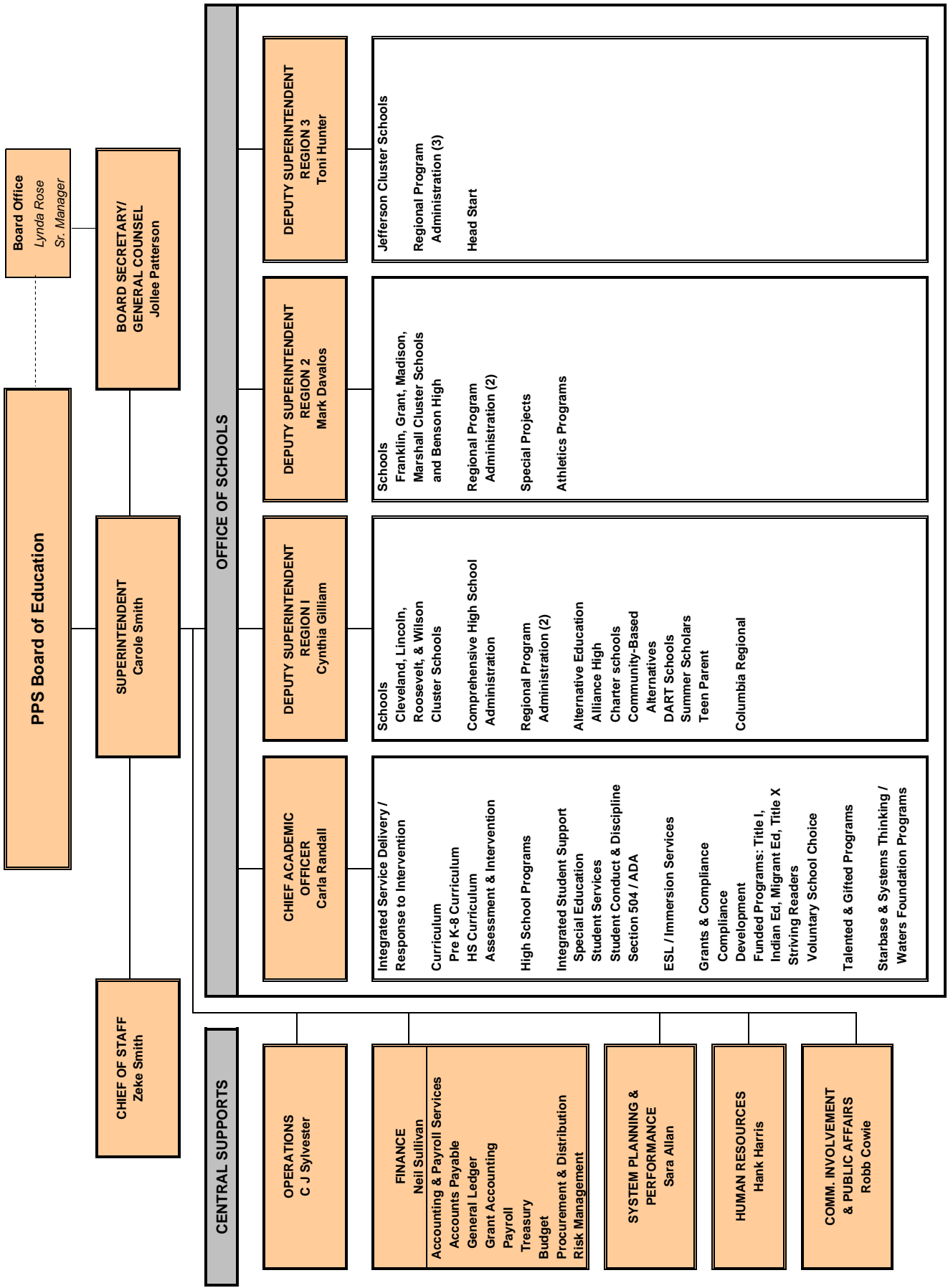
<u>Member</u>	<u>Zone</u>	<u>Term Expires</u>	<u>Phone</u>	<u>Email</u>
Ruth Adkins	1	June 30, 2011	503-351-9278	radkins@pps.net
David Wynde	2	June 30, 2011	503-916-6153	
Bobbie Regan	3	June 30, 2011	503-292-0659	bregan@pps.net
Martin Gonzalez	4	June 30, 2013	971-409-3245	mgonzalez@pps.net
Pam Knowles	5	June 30, 2013	503-312-7178	pknowles@pps.net
Trudy Sargent	6	June 30, 2013	503-916-6655	tsargent@pps.net
Dilafruz Williams	7	June 30, 2011	503-775-2158	

In May 2011, Ruth Adkins and Bobbie Regan were re-elected to new four-year terms expiring June 30, 2015. David Wynde and Dilafruz Williams did not run for election. Matt Morton (Zone 2; mmorton@pps.net) and Greg Belisle (Zone 6, gbelisle@pps.net) were elected to four-year terms expiring June 30, 2015.

ADMINISTRATIVE STAFF

Carole SmithSuperintendent
 Zeke Smith.....Chief of Staff
 C. J. Sylvester, MSSN.....Chief Operating Officer
 Neil Sullivan, RSBO, CGFM.....Chief Financial Officer
 Carla Randall.....Chief Academic Officer
 Jollee Patterson, J.D.....General Counsel

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON
ORGANIZATIONAL STRUCTURE
 June 30, 2011



**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, 2010

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

President

Executive Director

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, 2010

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





Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

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

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT

December 15, 2011

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 1J, Multnomah County, Oregon, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2011, 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 15, 2011, 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 15, 2011
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.

The 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, 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. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statements and schedules, as listed in the Table of Contents as Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary 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 or PPS), we offer readers this narrative overview and analysis of the financial activities of the Portland Public Schools for the fiscal year ended June 30, 2011. 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-vii of this report.

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

FINANCIAL HIGHLIGHTS

- ◆ The net assets of Portland Public Schools was \$204.5 million at June 30, 2011. Of that amount \$164.0 million was invested in capital assets net of related debt, \$25.6 million was restricted for capital projects and other restrictions, and \$14.9 million was unrestricted. Further analysis can be found on page 5 in the Analysis of Net Assets.
- ◆ Total net assets for the year decreased by \$25.7 million as shown in the Analysis of Activities on page 6. Although the overall decrease in net assets is the result of multiple factors, the most significant ones are reductions in state school funding and increases in support services costs and the decision by the Board of Education to use accumulated reserves to maintain levels of services to PPS students. Further explanations are offered by management in the following sections of this Discussion and Analysis.
- ◆ The District augmented its capital construction and non-capital facilities maintenance and replacement efforts by \$29.0 million during the current year, with financing provided by the addition of \$36.75 million in added debt. The District's capital construction efforts have centered on energy efficiency and retro-fitting of buildings to reduce utility and other operating costs as well as some much-needed building refurbishment (e.g. new roofs) and some expansion of school capacity through addition of modular classrooms. Capital construction and debt are further explained on page 9 and non-capital facilities maintenance and replacement is covered on pages 6 and 7.
- ◆ In October 2010, the Superintendent and Board decided the major points in high school system design that is being implemented in 2011-2012. The goals of the new design are improved graduation rates and to ensure that students have equitable access to community high schools with both the common core program, including support classes, and advanced offerings. The changes included a number of decisions related to high school core classes, school programs and configurations, and staffing levels. As part of that plan three schools on the Marshall High School campus were closed in June 2011.
- ◆ The District implemented GASB Statement No. 54 this year. The statement establishes new fund balance reporting and accounting standards for governmental funds and attempts to clarify governmental fund type definitions. Fund balances under the new standard are reported on pages 16-17, and further explanation is offered on pages 33 and 48.

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 School Modernization Fund, all of which are considered to be major funds. Data from the other ten governmental-type funds are combined into a single, aggregated presentation titled "Other Governmental Funds". 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 16-23 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 24-26 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 27-48 of this report.

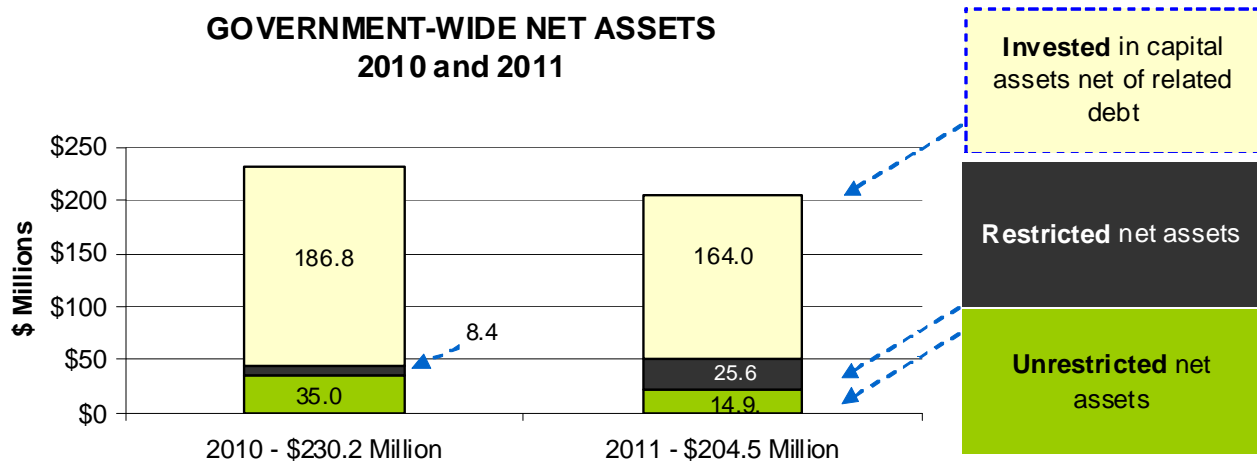
Required Supplementary Information (RSI) is located directly after the notes to the basic financial statements and represents the required comparison of the budget and actual results on the District's budgetary basis for the General Fund, the Grant Fund and the PERS Stabilization Reserve Fund. In addition the RSI discloses the actuarial estimate of funding progress of the District's other post employment healthcare benefits obligations. This information is on pages 51-56.

Supplementary Information (SI), presented on pages 59-92, 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.

Net Assets	Government-wide			
	2010	2011	Change	% change
Assets				
Current or other assets	\$ 620,119	\$ 614,348	\$ (5,771)	-0.9%
Net capital assets	194,725	200,731	6,006	3.1%
Total Assets	814,844	815,079	235	0.0%
Liabilities				
Long-term liabilities outstanding	491,333	490,046	(1,287)	-0.3%
Other liabilities	93,270	120,498	27,228	29.2%
Total Liabilities	584,603	610,544	25,941	4.4%
Net Assets				
Invested in capital assets, net of related debt	186,783	164,033	(22,750)	-12.2%
Restricted	8,426	25,597	17,171	203.8%
Unrestricted	35,032	14,905	(20,127)	-57.5%
Total Net Assets	\$ 230,241	\$ 204,535	\$ (25,706)	-11.2%



Net Assets - 2011 compared to 2010.

Net Assets are a primary indicator of financial position. In the case of Portland Public Schools assets exceeded liabilities by \$204.5 million at the close of the most current fiscal year. *Net Assets Invested in*

Capital Assets Net of Related Debt (\$164.0 million) is the largest component of District Net Assets, and has decreased by \$22.75 million this year, primarily due to the significant increase in debt related to District capital projects. *Restricted Net Assets* (\$25.6 million) reports the unspent portions of capital projects debt and net assets restricted by grantors. Restricted net assets have increased \$17.1 million this year, reflecting primarily the unspent portions of new loans for energy and water conservation (\$11.0 million) and School Modernization (\$25.75 million). *Unrestricted Net Assets* (\$14.9 million) are the remaining net assets, and have decreased \$20.1 million, primarily due to the Board of Education's decision to use contingency reserves to maintain funding levels in the face of reductions in State School Fund revenues.

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).

Statement of Activities	Government-wide				
	2010	2011	% of total 2011	Change	% change
Revenues					
Program Revenues					
Charges for services	\$ 12,436	\$ 11,813	2.2%	\$ (623)	-5.0%
Operating grants & contributions	101,671	105,740	20.0%	4,069	4.0%
Total Program Revenues	<u>114,107</u>	<u>117,553</u>	<u>22.2%</u>	<u>3,446</u>	3.0%
General Revenues					
Property & other taxes	189,234	194,170	36.9%	4,936	2.6%
Local tax options	38,292	38,226	7.2%	(66)	-0.2%
County and intermediate sources	10,223	9,543	1.8%	(680)	-6.7%
Construction excise tax	1,192	1,361	0.3%	169	14.2%
State School Fund	155,566	139,229	26.4%	(16,337)	-10.5%
Common School Funds	4,544	4,461	0.8%	(83)	-1.8%
Federal stimulus funds	12,182	14,349	2.7%	2,167	17.8%
Investment earnings	781	582	0.1%	(199)	-25.5%
Other	7,924	8,433	1.6%	509	6.4%
Gain on disposal of capital assets	1,981	7	0.0%	(1,974)	-99.6%
Total General Revenues	<u>421,919</u>	<u>410,361</u>	<u>77.8%</u>	<u>(11,558)</u>	-2.7%
Total Revenues	<u>536,026</u>	<u>527,914</u>	<u>100.0%</u>	<u>(8,112)</u>	-1.5%
Expenses					
Instruction	323,190	315,465	57.0%	(7,725)	-2.4%
Support services	183,267	204,613	37.0%	21,346	11.6%
Enterprise & community services	17,135	19,758	3.6%	2,623	15.3%
Non-capital facilities					
maintenance & replacement	14,177	11,649	2.1%	(2,528)	-17.8%
Interest and fees on long-term debt	1,642	2,135	0.4%	493	30.0%
Total Expenses	<u>539,411</u>	<u>553,620</u>	<u>100.1%</u>	<u>14,209</u>	2.6%
Decrease in net assets					
before extraordinary items	(3,385)	(25,706)	-12.6%	(22,321)	659.4%
Extraordinary items					
Net gain from Marysville fire	1,718	-	0.0%	(1,718)	-100.0%
Decrease in net assets	(1,667)	(25,706)	-12.6%	(24,039)	1442.1%
Net assets - beginning of year	<u>231,908</u>	<u>230,241</u>	<u>112.6%</u>	<u>(1,667)</u>	-0.7%
Net assets - end of year	<u>\$ 230,241</u>	<u>\$ 204,535</u>	<u>100.0%</u>	<u>\$ (25,706)</u>	-11.2%

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 or enterprise fund activities. Additional detail regarding revenue and expense changes are presented below to provide a better understanding of the District's operations in 2011 compared to 2010.

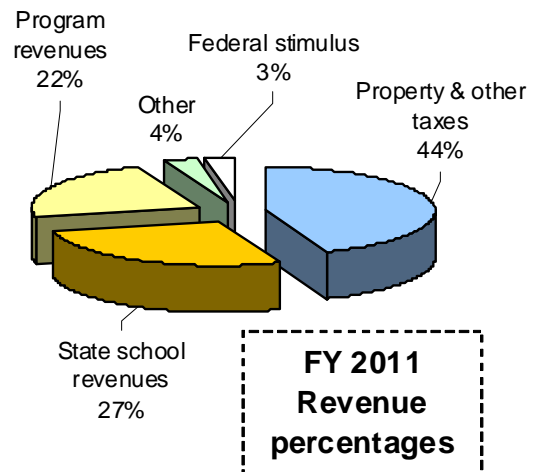
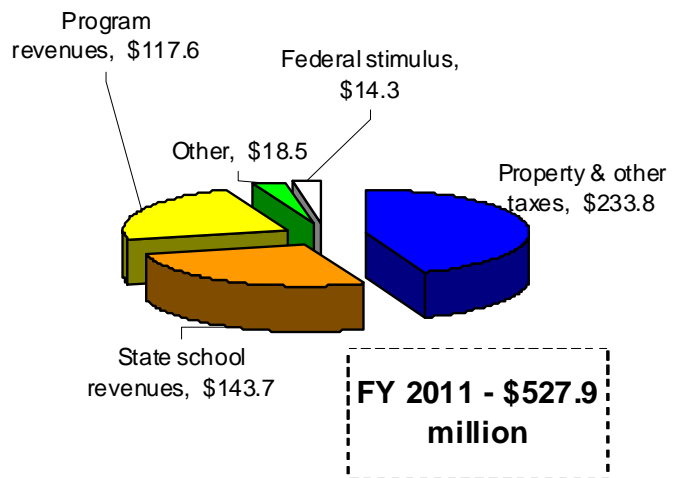
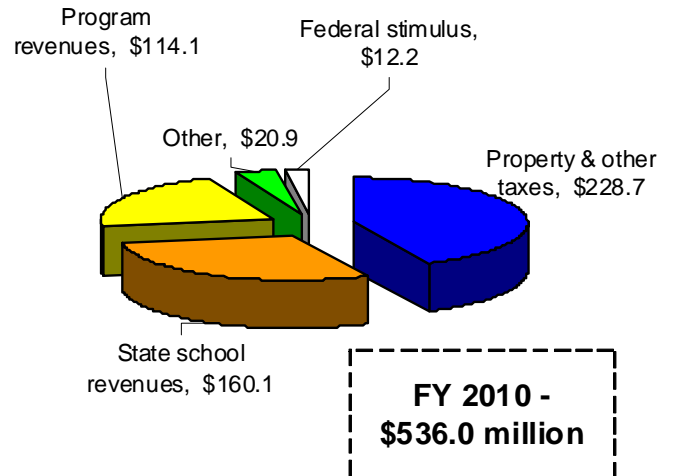
Revenues. Because the District's mission is to provide a free and appropriate public education for K-12 students within its boundaries, the District may not charge for its core services. The District does charge for non-core services such as facilities rentals, activities fees, lunches and kindergarten 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.

Revenues – 2011 compared to 2010. Total 2011 revenues of \$527.9 million represented an \$8.1 million (or 1.5%) decrease from prior year revenues of \$536.0 million. Primary among the causes for lower revenues this cycle was a reduction of \$16.4 million from state school funding. Diminished resources and the poor overall economy account for the lower appropriation levels seen at the state level. Increases in property and other taxes (\$5.1 million), federal stimulus (\$2.2 million) and program revenues (\$3.4 million) helped to minimize the reductions seen in other revenue areas (\$2.4 million).

Expenses. Portland Public Schools program activities include Instruction, Support Services, Enterprise and Community Services, Non-capital Facilities Maintenance and Replacement, and Interest and Fees on Long-term Debt. The District's activities mirror its chart of accounts which is mandated by the Oregon Department of Education for all Oregon public schools.

Expenses by function – 2011 compared to 2010. Current year total expenses of \$553.6 million were an increase of 2.6% (\$14.2) million over the prior year. Several factors account for the \$7.7 million reduction in instruction costs, the most significant was that retro-active instructional salaries were paid out in the prior year. Although support services costs increased in the current year instruction and support services together accounted for 94.0% of the District's expenses in 2011, unchanged from the prior year percentage.

REVENUES



Financial Analysis of the District's Major 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, unassigned 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 \$22.2 million to \$31.5 million. As explained in the earlier analysis of District activities, the primary cause of the fund balance decrease was the District Board of Education's decision to expend fund balances in order to maintain current service levels in response to unexpected state school funding cuts (\$16.3 million).

Of the \$31.5 million fund balance, \$29.4 million was Unassigned, another \$1.3 million was Committed by the Board, and the remainder of \$795 thousand was Nonspendable and included prepaid expenditures (\$10 thousand), notes receivable (\$416 thousand) and inventories (\$369 thousand).

Grant Fund. Of the \$83.2 million in grant funds received in 2010-11, \$66.5 million is attributable to federal and state grants. Funding for Title I and other federal Title funds of \$32.0 million was targeted to provide additional services to students disadvantaged by poverty, to support migrant education, innovative programs, and safe and drug-free schools. Approximately \$26.2 million was received for Special Education, Head Start, Striving Readers, Voluntary Public School Choice and 21st Century Grants. Public and private-entity awards and other federal and state sources accounted for \$25.0 million.

School Modernization Fund. This fund began in February 2009 with capital provided by an interfund loan of \$25.75 million from the General Fund. During the current year the School Modernization Fund borrowed \$25.75 million and repaid its interfund loan to the General Fund, and it expended \$3.5 million in school capital improvement projects.

PERS Rate Stabilization Reserve Fund. By action of the District Board this year, the PERS Rate Stabilization Reserve Fund currently has a dedicated revenue stream in the form of property taxes that have been committed at a rate of 0.11%. Current year revenues from property taxes were \$187 thousand. The Board also established conditions under which the Fund may be used that are consistent with the Fund's original objectives: (1) upon PERS rate increases per specified limits, and (2) upon PERS UAL debt service increase, also per specified limits. The Fund made no expenditures in the current year.

Budgetary Highlights

The 2010-11 budget was adjusted three times during the year to reflect updated ending balances from the prior year, as well as new opportunities and expenses after the budget was adopted. The Board approved changes can be briefly summarized as follows:

GENERAL FUND

- In September 2010, the Board amended the Adopted budget to reflect reductions in state funding (\$36.6 million), increases in federal funding (\$9.1 million), and the appropriation of contingency (\$6.7 million). The overall General Fund budget for expenditures and other uses was reduced \$18.7 million.
- In February 2011, the Board aligned the budgetary beginning fund balance to the current year actual of \$28.0 million. The Board also amended the budget to reflect the repayment of debt to the General Fund from the School Modernization Fund (\$25.7 million). \$20.8 million of the debt repayment was then restored to contingency.

- In June 2011, the Board reduced the budget for facilities acquisition and construction (\$1.8 million), for support services (\$2.1 million) and for instruction (\$0.5 million). An additional \$3.5 million was then restored to contingency.

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, 2011, the District had invested \$200.7 million in capital assets, net of depreciation and amortization, as shown in the following table:

Capital assets	Government-wide			
	2010	2011	change	% change
Land	\$ 8,274	\$ 8,274	\$ -	0.0%
Buildings	331,175	338,644	7,469	2.3%
Vehicles and Equipment	37,586	43,558	5,972	15.9%
Construction in Progress	10,421	14,013	3,592	34.5%
	387,456	404,489	17,033	4.4%
less accumulated depreciation	(192,731)	(203,758)	(11,027)	5.7%
Capital assets, net of depreciation	\$ 194,725	\$ 200,731	\$ 6,006	3.1%

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. District-wide, capital assets increased by \$17.0 million in FY2010-11, and \$11.0 million in depreciation and amortization was recorded. The impact of all events has increased net capital assets by \$6.0 million. Additional information on the District's capital assets can be found in Note 7 on page 37.

Debt Administration. At the end of the current fiscal year, the District had total debt outstanding of \$503.3 million, which is comprised of limited tax pension and refunding bonds (\$440.5 million) and debt backed by the full faith and credit of the District (\$62.9 million). During the year the District reduced debt by making scheduled debt service payments of \$17.7 million, and increased debt by \$36.75 million in new long-term borrowing to fund energy and water conservations projects (\$11 million) and loans for school modernization projects (\$25.75 million), resulting in an overall net increase of \$19.0 million in outstanding debt. Further explanation of debt is offered in Note 9 of the Financial Statements (pages 39-41).

Outstanding Debt	Government-wide				
	2010	increases	decreases	2011	% change
Limited tax pension and refunding bonds	\$ 450,125	\$ -	\$ (9,634)	\$ 440,491	-2.1%
Other debt	34,182	36,750	(8,081)	62,851	83.9%
Total outstanding debt	\$ 484,307	\$ 36,750	\$ (17,715)	\$ 503,342	3.9%

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 \$6.0 billion. More information is available in Statistical Section Schedule 11 on page 108 of this report.

OPERS is Oregon's public pension system. Under the pension plan, the actuarial liability is the present value of the plan's current and expected benefits payments (plus administrative expenses). If the fund's actuarial liability exceeds its assets, then the fund has a shortfall that is known as an unfunded actuarial liability ("UAL"). OPERS requires that school districts pay (or "amortize") this UAL over a period of 20 years (Tier1/Tier2 portion) and (Retiree Health Insurance Account portion) for 10 years, both with interest

at 8% a year. Since interest rates had been at historic lows, an opportunity to benefit from lowered interest 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 OPERS Unfunded Actuarial Liability (UAL). The reduced rate charged for the UAL, that has resulted from the District’s decision to borrow, has saved an estimated \$18 million in the current year; savings that the District has used to provide more instruction and support services. Over time, this reduction in rates should dampen the effects of future increases in the District’s UAL. So long as OPERS’ 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 OPERS can change at any time. Because of the significant investment declines experienced by OPERS and other plans across the nation in 2008, OPERS rates are expected to increase, although at a much lower rate than the District would have experienced had it not participated in the pooled pension obligation bond program.

Additional information on the District’s long-term debt can be found in Note 9 on pages 39-41 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

- The state’s economy, while not technically in a recession, continues at levels significantly below FY 2006-07 levels. As a result funding for K-12 education in 2011-13 is lower than in the prior biennium and continues to account for a diminishing share of the state budget. While the most likely scenario for the state’s economy going forward is for modest growth, there are risks that could upset that eventuality. Fiscal pressures for K-12 education funding are likely to continue for the foreseeable future. Stable and adequate funding remains an aspiration but is no closer to realization than at any time in the past decade. Without the generous support of local voters and taxpayers the fiscal situation for PPS would be significantly more challenging and the ability to provide the education that our students deserve would be even more seriously compromised.
- Portland-Vancouver unemployment rates remain high. Local unemployment, a lagging indicator, was 11.3% in June 2009, dropped to 10.5% for the year ended June 2010, and continues above the national average with a local rate of 9.5% in June 2011. Expectations are that the recovery will be slow in the region and unemployment will remain higher than normal for an extended period of time.
- The District’s five-year Local Option Levy property tax, which provided between \$33 and \$38 million per annum, was set to expire on June 30, 2012. In January 2011, the Superintendent proposed a new increased five-year Local Option Levy, which was referred by the Board of Education, and was before District voters in May 2011. PPS voters passed the new levy, which replaces the existing levy, and will generate \$53 million in 2011-12. The impact of the local economy on property tax values has impact on PPS local tax revenues. Market value of residential property has declined for each of the last three years and that has resulted in lower direct revenue for PPS.
- The remaining federal stimulus funds have ended under the current program and there is no current prospect for additional federal funding. In fact, there are pressures on Title I and IDEA spending (for special education) that give rise to concern for further reductions as the federal government struggles to deal with the deficit.
- In FY2010-11 the District completed negotiations with the Portland Association of Teachers (PAT) on a new contract extending through June 30, 2013. This agreement, which was settled before the expiry of the existing contract, included a significant new agreement on teacher evaluation, budget reductions through a change in high school staffing, and no cost of living increases for two years. During FY2010-11 the District also reached agreements with its other bargaining groups for salaries and benefits: Service Employees International Union (SEIU), District Council of Unions (DCU) and the Amalgamated Transit Union (ATU).

- In November 2010, the Superintendent proposed a six-year, \$548 million capital bond measure. The proposed measure, which was referred by the Board of Education, was put before District voters in May 2011, and was narrowly defeated at the polls. This bond would have been the first phase of a 20-30 year effort to modernize every school in the district. If passed, this first bond would have funded:
 - Updating safety, ADA accessibility, security and structural systems.
 - Rebuilding nine schools (3 high schools and 6 elementary / K-8 schools).
 - Design at one high school (through construction drawings).
 - Interim updates to classroom learning environments and school facilities, including: teaching technology, science labs (for grades 6-8), and other classroom improvements, outdoor PE and recreation spaces, and fields.

The urgent need to bring PPS school buildings up-to-date remains. The district will continue to identify and obtain funding for this work. Revision of the long-range facilities plan is under way.

- In 2011-12, District contributions to OPERS for Retiree Health Insurance will increase due to an updated actuarial valuation (see Note 11B of the Financial Statements). There remain concerns over the long-term trend in PERS costs. Although PPS offsets some of these costs through the debt financing in place, the outlook for this expense remains of concern.

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.k12.or.us/departments/accounting/, site shortcut: **Financial Statements**.



BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Statement of Net Assets
June 30, 2011
(amounts expressed in thousands)

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 101,172
Cash and cash equivalents held by fiscal agents	4,135
Investments	28,157
Accounts and other receivables	26,684
Property taxes and other taxes receivable	12,659
Inventories	892
Bond issue costs, net of accumulated amortization	3,443
Note receivable - due within one year	74
Noncurrent assets:	
Prepaid pension and other prepaid costs	436,790
Note receivable - due in more than one year	342
Capital assets, net of accumulated depreciation:	
Land	8,274
Construction in progress	14,013
Buildings and capital improvements	166,433
Vehicles and equipment	12,011
Total assets	815,079
LIABILITIES	
Accounts payable	11,189
Accrued wages and benefits payable	61,443
Accrued bond interest payable	158
Unearned revenues	238
Claims payable	4,507
Non-current liabilities:	
Due within one year	42,963
Due in more than one year	460,379
Net other post employment benefit obligation	29,667
Total liabilities	610,544
NET ASSETS	
Invested in capital assets, net of related debt	164,033
Restricted for:	
Capital projects	20,312
Grants	5,285
Unrestricted	14,905
Total net assets	\$ 204,535

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, 2011
(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	\$ 315,465	\$ 4,799	\$ 75,981	\$ (234,685)
Support services	204,613	2,348	25,844	(176,421)
Enterprise and Community Services	19,758	4,666	3,915	(11,177)
Non-capital facilities maintenance and replacement	11,649	-	-	(11,649)
Interest and fees on long-term debt	2,135	-	-	(2,135)
Total governmental activities	<u>\$ 553,620</u>	<u>\$ 11,813</u>	<u>\$ 105,740</u>	<u>(436,067)</u>

GENERAL REVENUES (UNRESTRICTED)

Property taxes, levies for operations	194,170
Construction excise tax	1,361
Local option taxes	38,226
State School Fund	139,229
State Common School Fund	4,461
County and intermediate sources	9,543
Investment earnings	582
Federal stimulus	14,349
Other	8,433
Gain on disposal of capital assets	7
Total general revenues	<u>410,361</u>
Change in net assets	(25,706)
Net assets - beginning of year	230,241
Net assets - end of year	<u>\$ 204,535</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, 2011

(amounts expressed in thousands)

	<u>General Fund</u>	<u>Grant Fund</u>
ASSETS		
Cash and cash equivalents	\$ 49,501	\$ -
Cash and cash equivalents held by fiscal agents	4,135	-
Investments	22,883	-
Prepaid items	10	-
Accounts receivable	5,069	17,643
Notes receivable	416	-
Property taxes and other taxes receivable	12,291	-
Due from other funds	9,355	-
Inventories	369	-
Total assets	<u>\$ 104,029</u>	<u>\$ 17,643</u>
LIABILITIES		
Accounts payable	\$ 7,306	\$ 2,059
Accrued wages and benefits	52,584	5,991
Due to other funds	894	9,355
Deferred revenues	11,574	238
Other liabilities	130	-
Total liabilities	<u>72,488</u>	<u>17,643</u>
FUND BALANCES (DEFICIT)		
Nonspendable	795	-
Restricted	-	-
Committed	1,289	-
Unassigned	29,457	-
Total fund balances	<u>31,541</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 104,029</u>	<u>\$ 17,643</u>

PERS Rate Stabilization Fund	School Modernization Fund	Other Governmental Funds	Total Governmental Funds
\$ 16,987	\$ 7,942	\$ 22,834	\$ 97,264
-	-	-	4,135
-	-	3,064	25,947
-	-	-	10
-	2	2,440	25,154
-	-	-	416
-	-	368	12,659
-	-	894	10,249
-	-	522	891
<u>\$ 16,987</u>	<u>\$ 7,944</u>	<u>\$ 30,122</u>	<u>\$ 176,725</u>
\$ -	\$ 206	\$ 1,411	\$ 10,982
-	22	856	59,453
-	-	-	10,249
-	-	-	11,812
-	-	-	130
<u>-</u>	<u>228</u>	<u>2,267</u>	<u>92,626</u>
-	-	522	1,317
-	-	25,137	25,137
16,987	7,716	2,196	28,188
-	-	-	29,457
<u>16,987</u>	<u>7,716</u>	<u>27,855</u>	<u>84,099</u>
<u>\$ 16,987</u>	<u>\$ 7,944</u>	<u>\$ 30,122</u>	<u>\$ 176,725</u>

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



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2011
(amounts expressed in thousands)

Fund balances – total governmental funds (page 17)	\$ 84,099
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.	200,731
Long-term taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	11,159
Assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	3,948
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(503,342)
Prepaid pension costs are not reported in the governmental funds.	435,835
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.	3,443
Notes receivable are not collectable in the current period and therefore deferred revenue is recognized in the governmental funds.	416
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(1,962)
Accrued interest payable is not recognized as a liability in the governmental funds.	(158)
The liability for other post employment benefits is not reported in governmental funds.	(29,634)
Net assets of governmental activities (page 14)	<u>\$ 204,535</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, 2011

(amounts expressed in thousands)

	General Fund	Grant Fund
	<hr/>	<hr/>
REVENUES		
Property and other taxes	\$ 194,496	\$ -
State School Fund	139,229	-
State Common School Fund	4,461	-
Federal and state support	39	66,457
Federal stimulus	14,286	14,643
Local option taxes	38,603	-
County and intermediate sources	7,400	796
Charges for services	3,527	-
Extracurricular activities	-	-
Investment earnings	567	-
Other	7,018	1,303
	<hr/>	<hr/>
Total revenues	409,626	83,199
	<hr/>	<hr/>
EXPENDITURES		
Current Operating:		
Instruction	247,294	53,440
Support services	173,402	25,844
Enterprise and Community Services	-	3,914
Non-capital facilities maintenance and replacement	1,841	1
Debt Service:		
Principal	2,686	-
Interest	129	-
	<hr/>	<hr/>
Total expenditures	425,352	83,199
	<hr/>	<hr/>
Excess (deficit) of revenues over expenditures	(15,726)	-
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	(6,939)	-
Proceeds from the sale of capital assets	434	-
Issuance of debt	-	-
	<hr/>	<hr/>
Total other financing sources (uses)	(6,505)	-
	<hr/>	<hr/>
Net change in fund balances	(22,231)	-
Fund balances (deficit) - beginning of year	53,772	-
	<hr/>	<hr/>
Fund balances - end of year	\$ 31,541	\$ -
	<hr/>	<hr/>

PERS Rate Stabilization Fund	School Modernization Fund	Other Governmental Funds	Total Governmental Funds
\$ 187	\$ -	\$ 1,361	\$ 196,044
-	-	-	139,229
-	-	-	4,461
-	-	12,538	79,034
-	-	62	28,991
-	-	-	38,603
-	-	1,348	9,544
-	-	8,287	11,814
-	-	7,563	7,563
-	27	55	649
-	-	3,670	11,991
<u>187</u>	<u>27</u>	<u>34,884</u>	<u>527,923</u>
-	-	13,863	314,597
-	2	6,621	205,869
-	-	16,087	20,001
-	3,376	6,328	11,546
-	-	5,396	8,082
-	147	1,767	2,043
-	3,525	50,062	562,138
<u>187</u>	<u>(3,498)</u>	<u>(15,178)</u>	<u>(34,215)</u>
-	-	9,939	9,939
-	-	-	(6,939)
-	-	-	434
-	25,750	11,000	36,750
-	25,750	20,939	40,184
187	22,252	5,761	5,969
16,800	(14,536)	22,094	78,130
<u>\$ 16,987</u>	<u>\$ 7,716</u>	<u>\$ 27,855</u>	<u>\$ 84,099</u>

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



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances (Deficit) to the Statement of Activities
For the Year Ended June 30, 2011
(amounts expressed in thousands)

Net change in fund balances – total governmental funds (page 21)	\$	5,969
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report all capital outlays 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 net capital outlays and other capital activity of \$17,303 in the current period exceeded depreciation of \$11,297.		6,006
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.		(399)
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.		(194)
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 resources are charges to other funds and insurance recoveries. This amount is the net loss for the year.		(3,674)
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.		(19,122)
Governmental funds reported pre-payments of the OPERS unfunded actuarial liability as Other Financing Uses in a prior year. However, in the Statement of Activities the expense is the amortization of the prepaid asset.		(9,634)
Other post employment benefits are reported in the Statement of Activities but they are not reported as expenditures in the governmental funds.		(4,920)
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		283
Change in bond interest payable		(21)
Change in net assets of governmental activities (page 15)	<u>\$</u>	<u>(25,706)</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, 2011
(amounts expressed in thousands)

ASSETS

Current Assets

Cash and cash equivalents	\$ 3,906
Investments	2,210
Accounts and other receivables	50
Insurance recovery receivable	1,480
Prepaid items	945
Total assets	<u>8,591</u>

LIABILITIES

Current Liabilities

Accounts payable	76
Accrued wages and benefits	27
Claims payable	4,507
Total current liabilities	<u>4,610</u>

Long-term Liability

Other post employment benefit obligation	33
Total liabilities	<u>4,643</u>

NET ASSETS

Unrestricted	<u><u>\$ 3,948</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, 2011
(amounts expressed in thousands)

OPERATING REVENUES

Charges for services	\$ 4,879
Insurance recoveries	27
Total operating revenues	4,906

OPERATING EXPENSES

Salaries and benefits	474
Materials and services	741
Claims expense	4,607
Total operating expenses	5,822

Operating loss	(916)
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NON-OPERATING REVENUES

Federal and state support	218
Investment earnings	24
Total non-operating revenues	242

TRANSFERS

Transfers out	(3,000)
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Change in net assets	(3,674)
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Net assets - beginning of year	7,622
Net assets - end of year	\$ 3,948

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, 2011
(amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from interfund services provided and used	\$	4,879
Cash received from insurance recoveries		430
Cash payments for salaries and benefits		(475)
Cash payments for goods and services		(803)
Cash payments for claims		(5,623)
Net cash from operating activities		(1,592)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash subsidy from state for return to work reimbursements		218
Transfers to other funds		(3,000)
Net cash from noncapital financing activities		(2,782)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments		(6)
Investment earnings		24
Net cash from investing activities		18

Net decrease in cash and cash equivalents (4,356)

Cash and cash equivalents at beginning of year		8,262
Cash and cash equivalents at end of year	\$	3,906

RECONCILIATION OF OPERATING INCOME TO CASH FROM OPERATING ACTIVITIES

Operating loss	\$	(916)
Adjustments to reconcile operating loss to net cash from operating activities:		
Increase in prepaid items		(945)
Decrease in accounts and other receivables		403
Decrease in accounts and other payables		(664)
Increase in claims payable		530
Decrease in accrued wages and benefits		(6)
Increase in net other post employment benefits obligation		6
Total adjustments		(676)
Net cash from operating activities	\$	(1,592)

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, 2011

(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, which is 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, transfers and fire-related insurance recoveries and costs, 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, 2011

(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 laws of Oregon.

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

PERS Rate Stabilization Reserve – Accounts for reserves that will be used to mitigate the budgetary impact of significant employer personnel benefit rates fluctuations when they occur in future OPERS or PERS UAL charges.

School Modernization - Accounts for capital improvements that focus on school modernization and construction.

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, investment earnings and insurance recoveries. 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. During the current year the Self-Insurance Fund transferred \$3.0 million in insurance recoveries to the Insurance Recoveries Capital Projects Fund.

The District reports the following non-major governmental funds:

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

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

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

B. Appropriations and Budgetary Controls

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

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

- Instruction
- Support Services
- Enterprise and Community Services
- Facilities Acquisition and Construction

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

- Debt Service
- Contingency
- Fund Transfers

Capital outlay expenditures are appropriated within the service levels for Instruction, Support Services, Enterprise and Community Services, and Facilities Acquisition and Construction. Debt service expenditures in the General Fund are generally appropriated within the Support 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. Board approval is required in order to purchase investments with a maturity greater than one year. Other investments are stated at amortized cost, which approximates fair value.

E. Property Taxes

Uncollected real and personal property taxes are reflected on the Statement of Net Assets and the Balance Sheet as receivables. Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

F. Inventories and Prepaid Items

School operating supplies, maintenance supplies, and food and other cafeteria supplies are stated at average invoice cost. Commodities purchased from the United States Department of Agriculture are included in the District's inventories at USDA wholesale value. The District accounts for the inventory based on the consumption method. Under the consumption method, inventory is recorded when purchased and expenditures are recorded when inventory items are used. Donated foods consumed

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

during the year are reported as revenues and expenditures. The amount of unused donated food 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 or amortized, 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 recorded as construction in progress and 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. Under the pronouncements of GASB Statement No. 51 the District capitalizes intangible asset costs, such as costs relating to the internally developed computer software. The intangible asset costs are classified as equipment.

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, 2011

(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	250,000
Earthquake Claims	250	50,000
Flood Claims	1,000	75,000
Workers' Compensation Claims	1,000	25,000

With the exception of the Marysville School fire, which occurred in November 2009, the District has not exceeded the claims limitation on its insurance policies for the last five years.

J. Compensated Absences

Depending on years of service and union membership, employees can earn annual vacation leave between 10 days and 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 recognized as liabilities in the District's proprietary fund. 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.

Sick leave accumulates each 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, 2011

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

M. Retirement Plans

Most District employees participate in Oregon's Public Employees Retirement System (OPERS). OPERS 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.

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. Early Retirement and Other Post Employment Benefits

Certificated employees who have met the requirements for age and years of service with the District are eligible for early retirement benefits. Early retirement benefits are further explained in Note 10 and other post employment benefits are explained in Note 11.

The District is mandated to contribute to Retirement Health Insurance Accounts (RHIA's) 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 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. District net assets currently have three components:

Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation and outstanding principal of capital asset related debt.

Restricted net assets are net assets upon which constraints have been placed, either externally by creditors, grantors, contributors or others, or legally constrained by law.

Unrestricted net assets are net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

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 affect 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.

Q. New Accounting Pronouncements and Accounting Standards

The following new Governmental Accounting Standards Board (GASB) pronouncement has been implemented this year:

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes new categories for reporting fund balances and revises the definitions for governmental fund types. Portland Public Schools has adopted the standard for the year ended June 30, 2011. The Statement establishes fund balance reporting and accounting standards, and also clarifies governmental fund type definitions.

New Fund Balance Definition Hierarchy under GASB Statement No. 54

Under the new standard, new governmental fund balance definitions, from most to least restrictive are:

1. *Non-spendable fund balances* – the most restrictive category, and for amounts in the fund balance that are not in spendable form (such as prepaid items, inventory or notes).
2. *Restricted fund balances* – for amounts constrained to specific purposes by their providers (such as grantors or bond holders), through constitutional provisions or by enabling legislation. These are primarily amounts subject to externally enforceable legal restrictions.
3. *Committed fund balances* – for amounts constrained to specific purposes by the District using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint. In order to commit fund balances the District must take formal action prior to the close of the fiscal year.
4. *Assigned fund balances* – for amounts the District intends to use for a specific purpose; intent can be expressed by the Board or delegated authority to an official.
5. *Unassigned fund balance* – for amounts that are not constrained in any of the ways previously mentioned and are available for any purpose. These amounts are only reported in the General Fund.

New District Policies enacted under the requirements of GASB Statement No. 54

- The District's order of budgeting and expending resources will be consistent with the fund balance classification hierarchy as defined in GASB Statement No. 54.
- The District Board affirmed that it is the highest level decision authority for Portland Public Schools.
- The Board delegated the authority to classify portions of ending fund balances as "assigned" to the Superintendent.

Further explanation of the requirements of GASB Statement No. 54 and the District's classifications of fund balances is in Note 16 (page 48).

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

(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 - 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, 2011 were:

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

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Cash, cash equivalents and investments on June 30, 2011 are comprised of the following:

Oregon Local Government Investment Pool	\$	50,423
Cash in demand deposits		50,744
Petty cash		5
Total cash and cash equivalents		<u>101,172</u>
U.S Government agency securities		11,916
Corporate commercial paper		9,297
Corporate notes		6,944
Total investments		<u>28,157</u>
Cash and cash equivalents held by fiscal agents		<u>4,135</u>
Total cash, cash equivalents and investments	\$	<u><u>133,464</u></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. District policy requires that all investments with maturities greater than one year require Board approval. 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

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

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.

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 \$8,851 held by a financial institution in conjunction with the District lease of Rosa Parks Elementary School (See Note 13).

The Oregon Local Government Investment Pool is unrated. Other investments held at June 30, 2011 are categorized by rating as follows:

	Ratings				Weighted average maturity (yrs)
	Moody's Aaa	Moody's P1	S&P AA	Total	
U.S. Government & agency obligations	\$ 11,916	\$ -	\$ -	\$ 11,916	0.531
Corporate commercial paper	-	9,297	-	9,297	0.591
Corporate notes	-	-	6,944	6,944	0.329
	\$ 11,916	\$ 9,297	\$ 6,944	\$ 28,157	

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 a more conservative 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. Corporate commercial paper is rated P1 by Moody's and corporate notes are rated AA 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, 2011 the District held the following:

	Value	Percentage of total investments
US Bank - commercial paper	\$ 9,297	33.0%
Wells Fargo & Co. - corporate notes	3,694	13.1%

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

Custodial risk-deposits

The District's deposits with financial institutions are insured by the Federal Depository Insurance Corporation (FDIC); interest bearing accounts are insured up to \$250 thousand and non-interest bearing accounts are fully insured. 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, 2011, bank balances of \$3,302 were insured by the FDIC. Funds not covered by FDIC insurance are covered by the Oregon State Treasury Collateral Pool. At June 30, 2011, the carrying amount of the District's balance was \$50,744 and the bank balance was \$54,982.

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 LGIP investments.

NOTE 5 – RECEIVABLES

Receivables at year-end are summarized as follows:

	General Fund	Grant Fund	School Moderni- zation Fund	Govern- mental and other funds	Total
Taxes receivable	\$ 12,291	\$ -	\$ -	\$ 368	\$ 12,659
Accounts and other receivables					
Interest	247	-	-	-	247
Accounts receivable	4,723	-	2	2,490	7,215
Federal, state and local grants	-	17,643	-	-	17,643
Insurance recoveries	-	-	-	1,480	1,480
Advances to employees	99	-	-	-	99
Accounts and other receivables	5,069	17,643	2	3,970	26,684
Total receivables	\$ 17,360	\$ 17,643	\$ 2	\$ 4,338	\$ 39,343

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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NOTE 6 – 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 \$433. The interest rate at June 30, 2011 was 3.5%.

Future maturities are:

June 30,	Principal	Interest	Total future payments
2012	\$ 74	\$ 26	\$ 100
2013	77	23	100
2014	265	15	280
	\$ 416	\$ 64	\$ 480

NOTE 7 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2011 follows:

Description	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated or amortized					
Land	\$ 8,274	\$ -	\$ -	\$ -	\$ 8,274
Construction in progress	10,421	15,731	(10)	(12,129)	14,013
Total capital assets not being depreciated or amortized	18,695	15,731	(10)	(12,129)	22,287
Capital assets being depreciated or amortized					
Buildings and site improvements	331,175	249	-	7,220	338,644
Vehicles and equipment	37,586	1,360	(297)	4,909	43,558
Total capital assets being depreciated or amortized	368,761	1,609	(297)	12,129	382,202
Total general capital assets	387,456	17,340	(307)	-	404,489
Less Accumulated depreciation and Amortization					
Buildings and site improvements	(163,213)	(8,998)	-	-	(172,211)
Vehicles and equipment	(29,518)	(2,299)	270	-	(31,547)
Total accumulated depreciation and Amortization	(192,731)	(11,297)	270	-	(203,758)
Total governmental assets	\$ 194,725	\$ 6,043	\$ (37)	\$ -	\$ 200,731

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

Instruction	\$	8,760
Supporting services		2,377
Food services		160
	\$	<u>11,297</u>

As of June 30, 2011 the District had three schools that were closed and idle: Clarendon, Marysville and Smith. The carrying value of these schools is \$2.3 million and is included in the capital assets summary above.

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances represent cash owed by one fund to another. At June 30, 2011, the General Fund owed the Student Body Activity Fund \$894 and the Grants Fund was advanced \$9,355 by the General Fund to cover unbilled expenses.

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 9,355	\$ 894
Non-major governmental funds	894	-
Grant Fund	<u>-</u>	<u>9,355</u>
	<u>\$ 10,249</u>	<u>\$ 10,249</u>

The District made debt service transfers totaling \$6,939 to the Bond Sinking Fund (\$1,666), the Settlement Debt Service Fund (\$3,979), the IT Projects Debt Service Fund (\$1,020) and the Recovery Zone Debt Service Fund (\$274). The Self Insurance Fund transferred \$3,000 to the Insurance Recoveries Capital Projects Fund in order to begin re-construction of Marysville School.

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

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ -	\$ 6,939
Nonmajor governmental funds	9,939	-
Proprietary fund - Internal service fund	<u>-</u>	<u>3,000</u>
	<u>\$ 9,939</u>	<u>\$ 9,939</u>

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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NOTE 9 – BONDED AND OTHER DEBT

Changes in District long-term debt during fiscal year 2011 were as follows:

<u>Type of Debt</u>	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
Limited tax					
pension bonds					
Series 2002	\$ 210,104	\$ 196,966	\$ -	\$ (3,296)	\$ 193,670
Series 2003	281,170	253,159	-	(6,338)	246,821
Total pension debt (see Note 10)	<u>491,274</u>	<u>450,125</u>	<u>-</u>	<u>(9,634)</u>	<u>440,491</u>
Limited tax general					
obligation refunding					
bonds, Series 2004	11,900	4,505	-	(1,425)	3,080
Small scale energy					
loan programs	8,335	1,369	-	(693)	676
Notes payable	2,125	1,992	-	(1,992)	-
Full faith and credit					
Bonds, Series					
2007A and 2007B	15,090	12,085	-	(3,435)	8,650
2009 Credit facility	15,000	14,231	-	(536)	13,695
Recovery Zone Economic					
Development Bonds	11,000	-	11,000	-	11,000
Full faith and credit School					
Modernization Loan	<u>25,750</u>	<u>-</u>	<u>25,750</u>	<u>-</u>	<u>25,750</u>
Total other debt	<u>89,200</u>	<u>34,182</u>	<u>36,750</u>	<u>(8,081)</u>	<u>62,851</u>
Total long-term debt	<u>\$ 580,474</u>	<u>\$ 484,307</u>	<u>\$ 36,750</u>	<u>\$ (17,715)</u>	<u>\$ 503,342</u>

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 (“OPERS”). 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 OPERS. 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 OPERS 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 OPERS.

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

School District No. 1J, Multnomah County, Oregon

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For the Year Ended June 30, 2011

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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, 2009, 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.

Under the terms of the borrowing agreements for both the 2002 and 2003 Limited Tax Pension Bonds, the District is bound by an intercept agreement whereby Wells Fargo Bank Northwest NA, as the trustee, directly receives specified amounts that have been withheld from the District's State School Fund support payments, that are deposited in trust with LGIP. Wells Fargo Bank Northwest NA then makes the scheduled semi-annual debt service payments from the LGIP trust account.

Other Debt

On February 28, 2011 the District School Modernization Fund borrowed \$25.75 million from Bank of America, N.A. to pay off an interfund loan from the District General Fund. The funds are being used to finance capital asset projects such as energy efficient roofs for schools. The loan is a non-revolving loan, with quarterly interest payments that matures on February 28, 2012. The interest, which is fixed and re-determined quarterly, is based on the LIBOR rate. The annualized rate at June 30, 2011 was 0.80%.

Pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA), the City of Portland was awarded \$13.5 million in Recovery Zone Economic Development Bonds (RZEDBs). In July 2010, the City sub-awarded \$11 million of the RZED bonds to Portland Public Schools, which are being used to complete energy and water conservation projects that will financially benefit the District in reduced energy and water costs and will yield on-going financial benefit once the bonds are paid off. The District makes semi-annual interest payments and annual principal payments, and the bonds will mature in December 2022. The bond's interest payments of 5.05% are 45% federally subsidized.

In October 2009 the District borrowed \$15 million from Bank of America, N.A. to finance capital asset projects related to information technology. Loan interest at 3.4% is payable semi-annually beginning December 1, 2009, and principal is payable annually beginning June 1, 2010. The installment loan is a full faith and credit obligation which matures June 1, 2019. It is authorized by ORS 271.390, which requires that the weighted average life of the projects (approximately 7.4 years) must exceed the weighted average life of the loan (approximately 6.8 years).

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 was paid off in January 15, 2011.

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Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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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 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 the District:

Fiscal year	Limited tax pension bonds	Re- covery zone bonds	School Modern- ization loan	Other full faith & credit	Total
Principal					
2012	\$ 12,334	\$ 809	\$ 25,750	\$ 4,070	\$ 42,963
2013	12,604	834	-	4,004	17,442
2014	11,534	860	-	2,575	14,969
2015	11,542	886	-	2,363	14,791
2016	11,884	913	-	2,407	15,204
2017-2021	69,515	4,998	-	7,602	82,115
2022-2026	213,319	1,700	-	-	215,019
2027-2028	100,839	-	-	-	100,839
Total principal	<u>443,571</u>	<u>11,000</u>	<u>25,750</u>	<u>23,021</u>	<u>503,342</u>
Interest					
2012	24,007	545	168	898	25,618
2013	25,271	504	-	744	26,519
2014	26,974	462	-	536	27,972
2015	28,632	418	-	421	29,471
2016	30,805	373	-	340	31,518
2017-2021	178,091	1,139	-	522	179,752
2022-2026	104,879	87	-	-	104,966
2027-2028	7,547	-	-	-	7,547
Total interest	<u>426,206</u>	<u>3,528</u>	<u>168</u>	<u>3,461</u>	<u>433,363</u>
Total debt service	<u>\$ 869,777</u>	<u>\$ 14,528</u>	<u>\$ 25,918</u>	<u>\$ 26,482</u>	<u>\$ 936,705</u>

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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NOTE 10- PENSION PLANS

A. Oregon Public Employees Retirement System (OPERS)

Plan Description. The District contributes to two pension plans administered by the State of Oregon Public Employees Retirement System (OPERS). 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 OPERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. OPERS members retain their existing OPERS accounts, but any future member contributions go to the member's IAP, not the member's OPERS account.

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

Funding Policy and Annual Pension Cost. Members of OPERS 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 OPERS liability, the District issued limited tax pension bonds in 2002-03 and placed the proceeds into an OPERS side account (see Note 9). The District's contributions to OPERS are equal to the actuarially determined required contribution, but because funding in the OPERS side account has been sufficient to provide pension rate relief, there have been no contractually required pension contributions for the years ended June 30, 2009, 2010 and 2011. There have been required OPERS contributions for retiree healthcare over this same three-year time period (see Note 11B), and it is anticipated contractually required pension contributions will be reinstated at the next actuarial determination.

For the year ended June 30, 2011, the District's annual debt service for the limited tax pension bonds included \$9.6 million of principal, and \$22.2 million of interest. Total debt service payments for the years 2009, 2010 and 2011 were \$28.5 million, \$30.9 million and \$31.8 million.

B. Early Retirement Benefits

Plan Description. The District provides a single-employer defined benefit early retirement program for members of the Portland Association of Teachers (PAT) and licensed administrators. 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.

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

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

retirement benefits. During fiscal year 2011, expenses/expenditures of approximately \$2.2 million were recognized.

NOTE 11 - 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 accumulated years of service and are eligible to retire from the Oregon PERS retirement system. Covered employees under the plan are eligible to receive full or part District-paid medical and pharmacy benefits for up to 60 months, or until reaching age 65, whichever comes first. The District also pays a portion of the spouse/domestic partner medical and pharmacy costs during the benefit period. The program was established under separate collective bargaining agreements with the certificated and classified employees and by precedent for all other District employees. All bargaining units and employee groups, except the Portland Association of Teachers (PAT), have agreed to terminate this benefit after June 30, 2014. Under Oregon Revised Statute (ORS) 243.303 any OPERS qualifying public employee is allowed to pay the full cost for continued coverage under the District group health plans until they become Medicare eligible.

Funding Policy. The District pays for the benefits. The contributions are financed on a pay-as-you-go basis. During fiscal year 2011 the District recognized, on a budgetary basis, expenses/expenditures of approximately \$4.3 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, 2011 and the following table shows the components of the District's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	Governmental Funds	Proprie- tary Fund	Total
Annual required contribution (ARC)	\$ 13,330	\$ 13	\$ 13,343
Interest on net OPEB obligation	741	1	742
Adjustment to annual required contribution	<u>(1,224)</u>	<u>(1)</u>	<u>(1,225)</u>
Annual OPEB cost	12,847	13	12,860
Contributions made	<u>(7,926)</u>	<u>(8)</u>	<u>(7,934)</u>
Increase in net OPEB obligation	4,921	5	4,926
Net OPEB obligation - beginning of year	<u>24,713</u>	<u>28</u>	<u>24,741</u>
Net OPEB obligation - end of year	\$ <u><u>29,634</u></u>	\$ <u><u>33</u></u>	\$ <u><u>29,667</u></u>

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 and the preceding years are as follows:

Fiscal year	Annual OPEB cost	% of annual OPEB cost contributed	Net OPEB obligation
2008	\$ 18,439	52.0%	\$ 8,852
2009	16,110	44.7	17,762
2010	16,423	57.5	24,741
2011	12,860	61.7	29,667

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, 2011, 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 3.0% investment rate of return and healthcare cost trend rates ranging from 5%-10% depending on the employee group.

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.

In its most recent actuarial valuation expected retiree claims did not increase as much as had been predicted in earlier valuations. Lower claims along with lowered health care trend assumptions and other factors have resulted in a lower accrued actuarial liability at June 30, 2011 as shown:

Accrued actuarial liability (AAL) reported June 30, 2010	\$ 182,542
Accrued actuarial liability (AAL) reported June 30, 2011	<u>145,855</u>
Decrease in AAL	<u>\$ (36,687)</u>

Funded Status and Funding Progress: As of June 30, 2011 the actuarial accrued liability for benefits was \$145.9 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$145.9 million. The covered payroll (annual payroll of active employees covered by the

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

plan) was \$268.0 million for fiscal year 2011 and the ratio of the UAAL to the covered payroll was 54.43%. Using a 30-year amortization period, the Annual Required Contribution (ARC) for 2011 has been actuarially determined to be \$13.3 million, representing \$6.1 million for the normal cost and \$7.2 million for the UAAL.

A Schedule of Funding Progress for the District Other Post Employment Benefits Plan immediately follows the Notes to the Basic Financial Statements on page 49, 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 OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in an OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating school districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.29% of annual covered OPERF payroll and 0.19% of OPSRP payroll under a contractual requirement in effect until June 30, 2011. The rates for the period July 2011 through June 2013 will be 0.59% for OPERF employees and 0.50% for OPSRP. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended June 30, 2009, 2010 and 2011 were \$0, \$772, and \$774, which equaled the required contributions each year.

NOTE 12 - 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.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

The Self-Insurance Fund recognized approximately \$4.9 million of revenues from other governmental funds for the year ended June 30, 2011. The fund also recognized \$27.2 thousand in insurance recoveries.

Approximately \$4.5 million of the claims payable total are considered current liabilities. Changes in the balances of claims liabilities during the years ended June 30, 2009, through June 30, 2011, were as follows:

Fiscal Year	Beginning Balance	New Claims	Payments on Claims	Ending Balance
2009	\$ 3,754	\$ 3,780	\$ (3,428)	\$ 4,106
2010	4,106	4,296	(4,425)	3,977
2011	3,977	4,607	(4,077)	4,507

NOTE 13-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 \$2 million are listed as follows:

Contractor	Estimated commitments
Laidlaw Transit Inc DBA First Student	\$ 8,561
CDW Government Inc	3,606
Open Meadow Alternative Schools	2,752
Albina Fuel Co	2,642
	\$ 17,561

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

2012	\$ 952
2013	961
2014	1,240
2015	1,159
2016	1,165
2017-2021	4,319
2022-2026	4,319
2027-2031	4,319
2032-2036	4,319
Total minimum payments	\$ 22,753

Rosa Parks Elementary School. The District leases Rosa Parks Elementary School from New Columbia Community Campus Corporation ("N4C") with payments of \$42 thousand 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 thousand 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 \$3.5 million under a 99-year agreement. In December 2009,

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

Portland Public Schools leased back a portion of that space for \$800 thousand, 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.

Pearl School. In September 2009, the District committed to a commercial lease from Nurture 247 LP, for the Pearl School. The lease commences in 2011 and is renewable in 2016 at the end of the five-year lease period. Initial payments of \$23 thousand per month in year 1, will increase annually to \$25 thousand per month in the fifth year.

Community Transition Program. The District leased commercial space for its Special Education Community Transition Program from Weigel Properties LLC. The space has approximately 2,700 square feet located on N.E. MLK Jr. Boulevard in Portland, Oregon. The lease is for a three-year period with payments of \$2 thousand per month and is renewable in 2013 for an additional two years.

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 14 – RELATED ORGANIZATIONS

The District includes seven charter schools that are legally separate, tax-exempt organizations. The most recent data available (from fiscal 2009-10) indicates charter school total students were 1,374 (representing 2.9% of the District's total enrollment); and that charter school net assets were \$1.5 million (representing 0.7% 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.

NOTE 15 – COMPLIANCE AND ACCOUNTABILITY

For the year ended June 30, 2011 expenditures exceeded appropriations in the following budgetary control categories (in thousands):

<u>Fund / Function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund-			
Instruction-Support Services	\$ 171,766	\$ 173,402	\$ (1,636)
School Modernization Fund-			
Debt service-Debt service	-	147	(147)

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

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

NOTE 16 – IMPLEMENTATION OF GASB STATEMENT NO. 54 – FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

In accordance with the requirements of GASB Statement No. 54:

- The Board adopted GASB Statement No. 54 definitions of fund types for the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds.
- The Board adopted the GASB Statement No. 54 definitions for Nonspendable, Restricted, Committed, Assigned and Unassigned fund balances.

Fund balances by classification for the year ended June 30, 2011 are as follows:

Fund Balances	General Fund	Other Major Funds	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 10	\$ -	\$ -	\$ 10
Notes Receivable	416	-	-	416
Inventories - Warehouse	369	-	-	369
Inventories - Cafeteria Fund	-	-	522	522
	795	-	522	1,317
Restricted:				
Special Revenue Funds:				
Student Body Activity Fund	-	-	3,088	3,088
Cafeteria Fund	-	-	2,885	2,885
Dedicated Resource Fund	-	-	5,285	5,285
Capital Projects Funds:				
Construction Excise Tax Fund	-	-	4,584	4,584
IT System Project Fund	-	-	3,213	3,213
Recovery Zone Energy and Water Conservation Fund	-	-	6,082	6,082
	-	-	25,137	25,137
Committed:				
Greatfields projects	1,289	-	-	1,289
PERS Rate Stabilization Fund	-	16,987	-	16,987
Insurance Recoveries Fund	-	-	2,196	2,196
School Modernization Fund	-	7,716	-	7,716
	1,289	24,703	2,196	28,188
Unassigned:				
	29,457	-	-	29,457
Total fund balances	\$ 31,541	\$ 24,703	\$ 27,855	\$ 84,099

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, 2011

(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%
07/01/2011	\$ -	\$ 145,855	\$ 145,855	0%	\$ 267,981	54.4%

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, 2011

(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Property and other taxes	\$ 191,053	\$ 191,753	\$ 194,496	\$ 2,743
State School Fund	173,000	136,900	139,229	2,329
Local option taxes	38,700	41,141	38,603	(2,538)
Federal stimulus	5,254	14,361	14,286	(75)
County and intermediate sources	7,447	7,447	7,400	(47)
Restricted state grants	-	-	39	39
State Common School Fund	3,650	3,654	4,461	807
Charges for services	4,029	4,029	3,527	(502)
Investment earnings	700	700	567	(133)
Other	7,307	7,314	7,018	(296)
Total revenues	431,140	407,299	409,626	2,327
EXPENDITURES				
Current operating:				
Instruction:				
Regular programs:				
Salaries and benefits	178,256	171,634	168,964	2,670
Materials and services	9,497	10,209	8,389	1,820
Total regular programs	187,753	181,843	177,353	4,490
Special programs:				
Salaries and benefits	57,491	50,571	50,261	310
Materials and services	19,981	19,814	19,680	134
Total special programs	77,472	70,385	69,941	444
Total instruction	265,225	252,228	247,294	4,934
Support services:				
Students:				
Salaries and benefits	35,122	33,580	33,355	225
Materials and services	1,028	2,210	2,288	(78)
Total students	36,150	35,790	35,643	147
Instructional staff:				
Salaries and benefits	10,659	12,363	11,990	373
Materials and services	1,482	1,476	1,266	210
Total instructional staff	12,141	13,839	13,256	583
General administration:				
Salaries and benefits	2,863	2,894	2,890	4
Materials and services	1,305	1,440	1,984	(544)
Total general administration	4,168	4,334	4,874	(540)
School administration:				
Salaries and benefits	28,748	28,593	29,055	(462)
Materials and services	774	692	227	465
Total school administration	29,522	29,285	29,282	3

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, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
Support services (continued):				
Business:				
Salaries and benefits	\$ 36,729	\$ 36,062	\$ 35,610	\$ 452
Materials and services	34,349	31,211	33,123	(1,912)
Total business	71,078	67,273	68,733	(1,460)
Central:				
Salaries and benefits	14,889	14,440	13,381	1,059
Materials and services	6,251	6,805	8,233	(1,428)
Total central	21,140	21,245	21,614	(369)
Total support services	174,199	171,766	173,402	(1,636)
Facilities acquisition & construction:				
Salaries and benefits	-	-	21	(21)
Materials and services	1,181	2,513	1,820	693
Total facilities acquisition & construction	1,181	2,513	1,841	672
Other expenditures:				
Debt Service				
Principal	901	2,686	2,686	-
Interest	293	243	129	114
Total debt service	1,194	2,929	2,815	114
Total current expenditures	441,799	429,436	425,352	4,084
Operating contingency	7,207	24,796	-	24,796
Total expenditures	449,006	454,232	425,352	28,880
Excess of revenues over (under) expenditures	(17,866)	(46,933)	(15,726)	31,207
OTHER FINANCING SOURCES (USES)				
Transfers in	-	25,750	25,750	-
Transfers out	(6,665)	(6,939)	(6,939)	-
Proceeds from the sale of capital assets	100	100	434	334
Total other financing sources and (uses)	(6,565)	18,911	19,245	334
Net change in fund balance	(24,431)	(28,022)	3,519	31,541
Fund balance - beginning of year	24,431	28,022	28,022	-
Fund balance - end of year	\$ -	\$ -	\$ 31,541	\$ 31,541

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, 2011

(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Federal and state support	\$ 76,426	\$ 76,426	\$ 66,457	\$ (9,969)
Federal stimulus	15,332	15,332	14,643	(689)
County and intermediate sources	1,695	1,695	796	(899)
Other	2,014	2,014	1,303	(711)
Total revenues	95,467	95,467	83,199	(12,268)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	20,869	21,562	20,742	820
Materials and services	5,010	4,734	4,809	(75)
Total regular programs	25,879	26,296	25,551	745
Special programs:				
Salaries and benefits	23,398	20,229	17,875	2,354
Materials and services	9,559	11,202	8,507	2,695
Total special programs	32,957	31,431	26,382	5,049
Summer school programs:				
Salaries and benefits	521	1,357	1,086	271
Materials and services	108	381	421	(40)
Total summer school programs	629	1,738	1,507	231
Total instruction	59,465	59,465	53,440	6,025
Support Services:				
Students:				
Salaries and benefits	7,797	8,417	7,753	664
Materials and services	4,717	3,993	2,572	1,421
Total students	12,514	12,410	10,325	2,085
Instructional staff:				
Salaries and benefits	7,823	7,866	9,503	(1,637)
Materials and services	9,211	5,637	2,731	2,906
Total instructional staff	17,034	13,503	12,234	1,269
School administration:				
Salaries and benefits	926	1,393	1,406	(13)
Materials and services	155	631	608	23
Total school administration	1,081	2,024	2,014	10
Business:				
Salaries and benefits	165	345	209	136
Materials and services	70	455	230	225
Total business	235	800	439	361

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, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
Support Services (continued):				
Central:				
Salaries and benefits	\$ 42	\$ 310	\$ 170	\$ 140
Materials and services	1,530	890	662	228
Total central	<u>1,572</u>	<u>1,200</u>	<u>832</u>	<u>368</u>
Total support services	<u>32,436</u>	<u>29,937</u>	<u>25,844</u>	<u>4,093</u>
Enterprise and Community Services:				
Food Services:				
Materials and services	395	686	705	(19)
Total food services	<u>395</u>	<u>686</u>	<u>705</u>	<u>(19)</u>
Community Services:				
Salaries and benefits	2,100	1,536	1,625	(89)
Materials and services	538	3,310	1,584	1,726
Total community services	<u>2,638</u>	<u>4,846</u>	<u>3,209</u>	<u>1,637</u>
Total enterprise and community services	<u>3,033</u>	<u>5,532</u>	<u>3,914</u>	<u>1,618</u>
Facilities acquisition & construction:				
Materials and services	533	533	1	532
Total facilities acquisition & construction	<u>533</u>	<u>533</u>	<u>1</u>	<u>532</u>
Total current expenditures	<u>95,467</u>	<u>95,467</u>	<u>83,199</u>	<u>12,268</u>
Excess of revenues over expenditures	-	-	-	-
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
PERS Rate Stabilization Reserve Fund
Schedule of Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2011
(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				
Property and other taxes	\$ -	\$ 200	\$ 187	\$ (13)
EXPENDITURES				
Operating contingency	-	200	-	200
Excess of revenues over expenditures	-	-	187	187
Fund balance - beginning of year	16,800	16,800	16,800	-
Fund balance - end of year	<u>\$ 16,800</u>	<u>\$ 16,800</u>	<u>\$ 16,987</u>	<u>\$ 187</u>

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, and the sales of food in the BESC Cafeteria.

Dedicated Resource Fund

The Dedicated Resource Fund (formerly called 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.

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.

IT Projects Debt Service

This fund is used for debt service payments of a \$15.0 million Full Faith and Credit bank loan that was executed on October 8, 2009. The debt relates to the activities in the IT Systems Projects Fund described below.

Recovery Zone Economic Development Bonds (RZEDBs)

This fund is used for debt service payments of \$11.0 million in ARRA RZED Bonds that have been sub-awarded to the District by the City of Portland in July, 2010.

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.

IT System Project Fund

This fund accounts for projects relating to teacher/classroom technology, information systems, and technical infrastructure.

Recovery Zone Energy and Water Conservation Fund

This fund accounts for energy and water conservation projects that will financially benefit the District in reduced energy and water costs once the projects are done.

Insurance Recoveries Fund

This fund accounts for insurance recoveries that fund capital projects at Marysville School, which was damaged by a fire in November, 2009.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Governmental Funds
Combining Balance Sheet by Fund Types
June 30, 2011
(amounts expressed in thousands)

	Total Nonmajor		Total
	Special Revenue Funds	Capital Projects Funds	
ASSETS			
Cash and cash equivalents	\$ 9,676	\$ 13,158	\$ 22,834
Investments	-	3,064	3,064
Accounts and other receivables	2,440	-	2,440
Property taxes and other taxes receivable	-	368	368
Due from other funds	894	-	894
Inventories	522	-	522
Total assets	<u>\$ 13,532</u>	<u>\$ 16,590</u>	<u>\$ 30,122</u>
LIABILITIES			
Accounts payable	\$ 904	\$ 507	\$ 1,411
Accrued wages and benefits	848	8	856
Total liabilities	<u>1,752</u>	<u>515</u>	<u>2,267</u>
FUND BALANCES			
Nonspendable	522	-	522
Restricted	11,258	13,879	25,137
Committed		2,196	2,196
Total fund balances	<u>11,780</u>	<u>16,075</u>	<u>27,855</u>
Total liabilities and fund balances	<u>\$ 13,532</u>	<u>\$ 16,590</u>	<u>\$ 30,122</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2011
(amounts expressed in thousands)

	Student Body Activity Fund	Cafeteria Fund	Dedicated Resource Fund	Total
ASSETS				
Cash and cash equivalents	\$ 2,449	\$ 2,652	\$ 4,575	\$ 9,676
Accounts and other receivables	68	741	1,631	2,440
Due from other funds	894	-	-	894
Inventories	-	522	-	522
Total assets	<u>\$ 3,411</u>	<u>\$ 3,915</u>	<u>\$ 6,206</u>	<u>\$ 13,532</u>
LIABILITIES				
Accounts payable	\$ 323	\$ 412	\$ 169	\$ 904
Accrued wages and benefits	-	96	752	848
Total liabilities	<u>323</u>	<u>508</u>	<u>921</u>	<u>1,752</u>
FUND BALANCES				
Nonspendable	-	522	-	522
Restricted	3,088	2,885	5,285	11,258
Total Fund balances	<u>3,088</u>	<u>3,407</u>	<u>5,285</u>	<u>11,780</u>
Total liabilities and fund balances	<u>\$ 3,411</u>	<u>\$ 3,915</u>	<u>\$ 6,206</u>	<u>\$ 13,532</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2011
(amounts expressed in thousands)

	Construction Excise Tax Fund	IT System Project Fund	Recovery Zone Energy & Water Cons. Fund	Insurance Recoveries Fund	Total
ASSETS					
Cash and cash equivalents	\$ 4,216	\$ 3,444	\$ 3,302	\$ 2,196	\$ 13,158
Investments	-	-	3,064	-	3,064
Property taxes and other taxes receivable	368	-	-	-	368
Total assets	<u>\$ 4,584</u>	<u>\$ 3,444</u>	<u>\$ 6,366</u>	<u>\$ 2,196</u>	<u>\$ 16,590</u>
LIABILITIES					
Accounts payable	\$ -	\$ 226	\$ 281	\$ -	\$ 507
Accrued wages and benefits	-	5	3	-	8
Total liabilities	<u>-</u>	<u>231</u>	<u>284</u>	<u>-</u>	<u>515</u>
FUND BALANCES					
Restricted	4,584	3,213	6,082	-	13,879
Committed	-	-	-	2,196	2,196
Total fund balances	<u>4,584</u>	<u>3,213</u>	<u>6,082</u>	<u>2,196</u>	<u>16,075</u>
Total liabilities and fund balances	<u>\$ 4,584</u>	<u>\$ 3,444</u>	<u>\$ 6,366</u>	<u>\$ 2,196</u>	<u>\$ 16,590</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, 2011

(amounts expressed in thousands)

	Total Nonmajor			Total
	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
REVENUES				
Property and other taxes	\$ -	\$ -	\$ 1,361	\$ 1,361
Federal and state support	12,314	224	-	12,538
County and intermediate sources	1,348	-	-	1,348
Charges for services	8,287	-	-	8,287
Extracurricular activities	7,563	-	-	7,563
Federal stimulus	62	-	-	62
Investment earnings	-	-	55	55
Other	3,670	-	-	3,670
Total revenues	<u>33,244</u>	<u>224</u>	<u>1,416</u>	<u>34,884</u>
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs	13,096	-	-	13,096
Special programs	232	-	-	232
Summer school programs	535	-	-	535
Total instruction	<u>13,863</u>	<u>-</u>	<u>-</u>	<u>13,863</u>
Support services:				
Students	179	-	-	179
Instructional staff	349	-	-	349
General administration	70	-	-	70
School administration	415	-	-	415
Business	318	-	-	318
Central	6	-	5,284	5,290
Total support services	<u>1,337</u>	<u>-</u>	<u>5,284</u>	<u>6,621</u>
Enterprise and community services:				
Food services	15,255	-	-	15,255
Community services	28	-	804	832
Total enterprise and community services	<u>15,283</u>	<u>-</u>	<u>804</u>	<u>16,087</u>
Facilities acquisition and construction	<u>1,384</u>	<u>-</u>	<u>4,944</u>	<u>6,328</u>
Debt Service:				
Principal	-	5,396	-	5,396
Interest and fiscal charges	-	1,767	-	1,767
Total debt service	<u>-</u>	<u>7,163</u>	<u>-</u>	<u>7,163</u>
Total current expenditures	<u>31,867</u>	<u>7,163</u>	<u>11,032</u>	<u>50,062</u>
Excess of revenues over (under) expenditures	<u>1,377</u>	<u>(6,939)</u>	<u>(9,616)</u>	<u>(15,178)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	6,939	3,000	9,939
Issuance of debt	-	-	11,000	11,000
Total other financing sources	<u>-</u>	<u>6,939</u>	<u>14,000</u>	<u>20,939</u>
Net change in fund balances	1,377	-	4,384	5,761
Fund balances - beginning of year	10,403	-	11,691	22,094
Fund balances - end of year	<u>\$ 11,780</u>	<u>\$ -</u>	<u>\$ 16,075</u>	<u>\$ 27,855</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, 2011
(amounts expressed in thousands)

	Student Body Activity Fund	Cafeteria Fund	Dedicated Resource Fund	Total
REVENUES				
Federal and state support	\$ -	\$ 12,268	\$ 46	\$ 12,314
County and intermediate sources	-	70	1,278	1,348
Charges for services	-	3,645	4,642	8,287
Extracurricular activities	7,563	-	-	7,563
Federal stimulus	-	62	-	62
Other	-	28	3,642	3,670
Total revenues	<u>7,563</u>	<u>16,073</u>	<u>9,608</u>	<u>33,244</u>
EXPENDITURES				
Current operating:				
Instruction:				
Regular programs	7,679	-	5,417	13,096
Special programs	-	-	232	232
Summer school programs	-	-	535	535
Total instruction	<u>7,679</u>	<u>-</u>	<u>6,184</u>	<u>13,863</u>
Support services:				
Students	-	-	179	179
Instructional staff	-	-	349	349
General administration	-	-	70	70
School administration	-	-	415	415
Business	-	-	318	318
Central	-	-	6	6
Total support services	<u>-</u>	<u>-</u>	<u>1,337</u>	<u>1,337</u>
Enterprise and community services:				
Food services	-	15,255	-	15,255
Community services	-	-	28	28
Total enterprise & community service	<u>-</u>	<u>15,255</u>	<u>28</u>	<u>15,283</u>
Facilities acquisition & construction	-	-	1,384	1,384
Total current expenditures	<u>7,679</u>	<u>15,255</u>	<u>8,933</u>	<u>31,867</u>
Excess of revenues over (under) expenditures	(116)	818	675	1,377
Fund balances - beginning of year	3,204	2,589	4,610	10,403
Fund balances - end of year	<u>\$ 3,088</u>	<u>\$ 3,407</u>	<u>\$ 5,285</u>	<u>\$ 11,780</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, 2011
(amounts expressed in thousands)

	Bond Sinking Fund	Settlement Debt Service Fund	IT Projects Debt Service Fund	Recovery Zone Debt Service Fund	Total
REVENUES					
Federal and state support	\$ -	\$ -	\$ -	\$ 224	\$ 224
EXPENDITURES					
Debt Service:					
Principal	1,425	3,435	536	-	5,396
Interest and fiscal charges	241	544	484	498	1,767
Total expenditures	<u>1,666</u>	<u>3,979</u>	<u>1,020</u>	<u>498</u>	<u>7,163</u>
Excess of expenditures over revenues	(1,666)	(3,979)	(1,020)	(274)	(6,939)
OTHER FINANCING SOURCES					
Transfers in	1,666	3,979	1,020	274	6,939
Total other financing sources	<u>1,666</u>	<u>3,979</u>	<u>1,020</u>	<u>274</u>	<u>6,939</u>
Net change in fund balances	-	-	-	-	-
Fund balances - beginning of year	-	-	-	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Capital Projects Funds
Combining Statement of Expenditures, and Changes in Fund Balances
For the year ended June 30, 2011
(amounts expressed in thousands)

	Construction Excise Tax Fund	IT System Project Fund	Recovery Zone Energy & Water Cons. Fund	Insurance Recoveries Fund	Total
REVENUES					
Property and other taxes	\$ 1,361	\$ -	\$ -	\$ -	\$ 1,361
Investment earnings	-	22	33	-	55
Total revenues	<u>1,361</u>	<u>22</u>	<u>33</u>	<u>-</u>	<u>1,416</u>
EXPENDITURES					
Current Operating:					
Support services					
Central					
Salaries and benefits	-	194	-	-	194
Materials and services	-	5,083	7	-	5,090
Total central	<u>-</u>	<u>5,277</u>	<u>7</u>	<u>-</u>	<u>5,284</u>
Enterprise and community services:					
Materials and services	-	-	-	804	804
Total enterprise and community services	<u>-</u>	<u>-</u>	<u>-</u>	<u>804</u>	<u>804</u>
Facilities acquisition and construction					
Salaries and benefits	-	-	210	-	210
Materials and services	-	-	4,734	-	4,734
Total facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>4,944</u>	<u>-</u>	<u>4,944</u>
Total current expenditures	<u>-</u>	<u>5,277</u>	<u>4,951</u>	<u>804</u>	<u>11,032</u>
Excess, revenues over (under) expenditures	1,361	(5,255)	(4,918)	(804)	(9,616)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	3,000	3,000
Issuance of debt	-	-	11,000	-	11,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>3,000</u>	<u>14,000</u>
Net change in fund balances	1,361	(5,255)	6,082	2,196	4,384
Fund balances - beginning of year	3,223	8,468	-	-	11,691
Fund balances - end of year	<u>\$ 4,584</u>	<u>\$ 3,213</u>	<u>\$ 6,082</u>	<u>\$ 2,196</u>	<u>\$ 16,075</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, 2011
(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				
Extracurricular activities	\$ 7,800	\$ 8,295	\$ 7,563	\$ (732)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs				
Materials and services	8,000	8,199	7,679	520
Total expenditures	8,000	8,199	7,679	520
Excess (deficit) of expenditures over revenues	(200)	96	(116)	(212)
Fund balance - beginning of year	3,500	3,204	3,204	-
Fund balance - end of year	<u>\$ 3,300</u>	<u>\$ 3,300</u>	<u>\$ 3,088</u>	<u>\$ (212)</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, 2011
(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				
Federal and state support	\$ 12,201	\$ 12,184	\$ 12,268	\$ 84
Federal stimulus	-	200	62	(138)
Charges for services	3,568	3,603	3,645	42
County and intermediate sources	-	70	70	-
Other	20	32	28	(4)
Total revenues	<u>15,789</u>	<u>16,089</u>	<u>16,073</u>	<u>(16)</u>
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	7,340	7,440	7,019	421
Materials and services	8,701	8,649	8,236	413
Total expenditures	<u>16,041</u>	<u>16,089</u>	<u>15,255</u>	<u>834</u>
Operating Contingencies	<u>-</u>	<u>400</u>	<u>-</u>	<u>400</u>
Total expenditures	<u>16,041</u>	<u>16,489</u>	<u>15,255</u>	<u>1,234</u>
Net change in fund balance	(252)	(400)	818	1,218
Fund balance - beginning of year	1,569	2,589	2,589	-
Fund balance - end of year	<u>\$ 1,317</u>	<u>\$ 2,189</u>	<u>\$ 3,407</u>	<u>\$ 1,218</u>

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Dedicated Resource Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2011
(amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance from</u> <u>Final Budget</u> <u>Positive/</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 5,131	\$ 5,381	\$ 4,642	\$ (739)
County and intermediate sources	2,973	2,973	1,278	(1,695)
Federal and state support	1,002	252	46	(206)
Other	4,573	6,073	3,642	(2,431)
Total revenues	13,679	14,679	9,608	(5,071)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	5,608	5,784	5,156	628
Materials and services	1,703	585	261	324
Total regular programs	7,311	6,369	5,417	952
Special programs:				
Salaries and benefits	2,728	2,297	97	2,200
Materials and services	645	480	135	345
Total special programs	3,373	2,777	232	2,545
Summer school programs:				
Salaries and benefits	475	522	502	20
Materials and services	38	29	33	(4)
Total summer school programs	513	551	535	16
Total instruction	11,197	9,697	6,184	3,513
Support Services:				
Students:				
Salaries and benefits	-	23	19	4
Materials and services	236	256	160	96
Total students	236	279	179	100
Instructional staff:				
Salaries and benefits	268	60	245	(185)
Materials and services	245	480	104	376
Total instructional staff	513	540	349	191
General administration:				
Materials and services	456	126	70	56
Total general administration	456	126	70	56
School administration:				
Salaries and benefits	310	449	398	51
Materials and services	32	54	17	37
Total school administration	342	503	415	88

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Dedicated Resource Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
For the year ended June 30, 2011
(amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance from</u> <u>Final Budget</u> <u>Positive/</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services (continued):				
Business:				
Salaries and benefits	\$ 182	\$ 300	\$ 276	\$ 24
Materials and services	92	91	42	49
Total business	<u>274</u>	<u>391</u>	<u>318</u>	<u>73</u>
Central:				
Salaries and benefits	-	3	1	2
Materials and services	26	5	5	-
Total central	<u>26</u>	<u>8</u>	<u>6</u>	<u>2</u>
Total support services	<u>1,847</u>	<u>1,847</u>	<u>1,337</u>	<u>510</u>
Enterprise and Community Services:				
Food Services:				
Materials and services	7	-	-	-
Total food service	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community Services:				
Salaries and benefits	21	16	13	3
Materials and services	13	25	15	10
Total community services	<u>34</u>	<u>41</u>	<u>28</u>	<u>13</u>
Total enterprise				
and community services	<u>41</u>	<u>41</u>	<u>28</u>	<u>13</u>
Facilities acquisition & construction:				
Materials and services	759	2,259	1,384	875
Total facilities acquisition				
and construction	<u>759</u>	<u>2,259</u>	<u>1,384</u>	<u>875</u>
Total current expenditures	<u>13,844</u>	<u>13,844</u>	<u>8,933</u>	<u>4,911</u>
Operating Contingencies	<u>3,226</u>	<u>3,226</u>	<u>-</u>	<u>3,226</u>
Total expenditures	<u>17,070</u>	<u>17,070</u>	<u>8,933</u>	<u>8,137</u>
Excess (deficit) of revenues over expenditures	(3,391)	(2,391)	675	3,066
OTHER FINANCING SOURCES				
Proceeds from the sale of capital assets	<u>165</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(3,226)	(2,391)	675	3,066
Fund balance - beginning of year	<u>3,226</u>	<u>2,391</u>	<u>4,610</u>	<u>2,219</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,285</u>	<u>\$ 5,285</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, 2011
(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	\$ 1,425	\$ 1,425	\$ 1,425	\$ -
Interest and fiscal charges	241	241	241	-
Total debt service	1,666	1,666	1,666	-
OTHER FINANCING SOURCES				
Transfers in	1,666	1,666	1,666	-
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, 2011
(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	\$ 3,435	\$ 3,435	\$ 3,435	\$ -
Interest and fiscal charges	544	544	544	-
Total debt service	3,979	3,979	3,979	-
OTHER FINANCING SOURCES				
Transfers in	3,979	3,979	3,979	-
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
IT Projects Debt Service Fund
Schedule of Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2011
(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	\$ 536	\$ 536	\$ 536	\$ -
Interest and fiscal charges	484	484	484	-
Total debt service	1,020	1,020	1,020	-
OTHER FINANCING SOURCES				
Transfers in	1,020	1,020	1,020	-
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
Recovery Zone Debt Service Fund
Schedule of Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2011
(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				
Federal and state support	\$ -	\$ 224	\$ 224	\$ -
Total revenues	-	224	224	-
EXPENDITURES				
Debt Service:				
Interest and fiscal charges	-	498	498	-
Total debt service	-	498	498	-
Excess of expenditures over revenues	-	(274)	(274)	-
OTHER FINANCING SOURCES				
Transfers in	-	274	274	-
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, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		Positive/ (Negative)
REVENUES				
Construction excise tax	\$ 817	\$ 817	\$ 1,361	\$ 544
Total revenues	817	817	1,361	544
EXPENDITURES				
Facilities acquisition & construction:				
Materials and services	3,317	3,790	-	3,790
Operating contingency	250	250	-	250
Total expenditures	3,567	4,040	-	4,040
Excess (deficit) of revenues over expenditures	(2,750)	(3,223)	1,361	4,584
Fund balance - beginning of year	2,750	3,223	3,223	-
Fund balance - end of year	\$ -	\$ -	\$ 4,584	\$ 4,584

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
IT System Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 30	\$ 30	\$ 22	\$ (8)
Total revenues	<u>30</u>	<u>30</u>	<u>22</u>	<u>(8)</u>
EXPENDITURES				
Support services				
Central:				
Salaries and benefits	86	217	194	23
Materials and services	4,851	5,851	5,083	768
Total support				
 services expenditures	4,937	6,068	5,277	791
Operating contingency	2,849	2,430	-	2,430
Total expenditures	<u>7,786</u>	<u>8,498</u>	<u>5,277</u>	<u>3,221</u>
Excess of expenditures over revenues	(7,756)	(8,468)	(5,255)	3,213
Fund balance - beginning of year	7,756	8,468	8,468	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,213</u>	<u>\$ 3,213</u>

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Recovery Zone Energy and Water Conservation Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ 35	\$ 33	\$ (2)
Total revenues	-	35	33	(2)
EXPENDITURES				
Support services				
Business:				
Materials and services	-	36	7	29
Total support services expenditures	-	36	7	29
Facilities acquisition and construction:				
Salaries and benefits	-	506	210	296
Materials and services	-	9,986	4,734	5,252
Total facilities acquisition and construction	-	10,492	4,944	5,548
Total operating expenditures	-	10,528	4,951	5,577
Operating contingency	-	500	-	500
Total expenditures	-	11,028	4,951	6,077
Excess (deficit) of revenues over expenditures	-	(10,993)	(4,918)	6,075
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	10,993	11,000	7
Total other financing sources	-	10,993	11,000	7
Net change in fund balance	-	-	6,082	6,082
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ 6,082	\$ 6,082

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Insurance Recoveries Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2011
(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				
Enterprise and community services:				
Materials and services	\$ -	\$ 3,000	\$ 804	\$ 2,196
Total expenditures	-	3,000	804	2,196
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,000	3,000	-
Total other financing sources	-	3,000	3,000	-
Net change in fund balance	-	-	2,196	2,196
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ 2,196	\$ 2,196

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



BUDGETARY COMPARISON SCHEDULES
Other funds

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
School Modernization Fund
Schedule of Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ 35	\$ 27	\$ (8)
Total revenues	-	35	27	(8)
EXPENDITURES				
Support Services:				
Students:				
Salaries and benefits	-	70	1	69
Materials and services	-	-	1	(1)
Total support services	-	70	2	68
Facilities acquisition & construction:				
Salaries and benefits	629	1,916	1,085	831
Materials and services	7,245	9,163	2,291	6,872
Total facilities acquisition & construction	7,874	11,079	3,376	7,703
Total current operating	7,874	11,149	3,378	7,771
Debt service				
Interest	-	-	147	(147)
Total current expenditures	7,874	11,149	3,525	7,624
Operating contingency	-	100	-	100
Total expenditures	7,874	11,249	3,525	7,724
Excess of Revenues over expenditures	(7,874)	(11,214)	(3,498)	7,716
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(25,750)	(25,750)	-
Issuance of debt	-	25,750	25,750	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(7,874)	(11,214)	(3,498)	7,716
Fund balance - beginning of year	7,874	11,214	11,214	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,716</u>	<u>\$ 7,716</u>

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Self-Insurance Fund
Schedule of Revenues, Expenses, and
Changes in Retained Earnings - Budget and Actual
For the year ended June 30, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 5,102	\$ 5,102	\$ 4,879	\$ (223)
Other	1,000	1,000	27	(973)
Total operating revenues	6,102	6,102	4,906	(1,196)
OPERATING EXPENSES				
Support Services:				
Salaries and benefits	516	523	474	49
Materials and services	6,594	3,586	741	2,845
Claims expense	4,130	4,131	4,607	(476)
Total support services	11,240	8,240	5,822	2,418
Operating contingency	3,000	2,668	-	2,668
Total operating expenses	14,240	10,908	5,822	5,086
Operating income (loss)	(8,138)	(4,806)	(916)	3,890
NON OPERATING REVENUES				
Investment income	75	75	24	(51)
Federal and state support	63	63	218	155
Total non-operating revenues	138	138	242	104
TRANSFERS OUT	-	(3,000)	(3,000)	-
Change in net assets	(8,000)	(7,668)	(3,674)	3,994
Beginning retained earnings - budgetary basis	8,000	7,668	7,668	-
Ending retained earnings - budgetary basis	\$ -	\$ -	3,994	\$ 3,994
Less				
Other post employment benefits obligation			(33)	
Accrued compensated absences			(13)	
Retained earnings - GAAP basis			\$ 3,948	

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, 2011
(dollars in thousands)

Tax Year	Taxes		Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes	
	Uncollected June 30, 2010	Uncollected June 30, 2011						Uncollected June 30, 2010	Uncollected June 30, 2011
DISTRICT LEVIES									
Multnomah County:									
General Tax:									
Current Year	\$ -	\$ -	\$ 197,849	\$ (4,920)	\$ 93	\$ (1,342)	\$ (186,189)	\$ -	\$ 5,491
Prior Years	6,063	6,063	-	7	239	(425)	(3,358)	(3,358)	2,527
	2,651	2,651	-	2	239	(119)	(1,395)	(1,395)	1,378
	1,158	1,158	-	-	229	(18)	(903)	(903)	464
	444	444	-	-	143	(17)	(493)	(493)	77
	64	64	-	-	16	(4)	(46)	(46)	30
	45	45	-	-	6	(6)	(14)	(14)	34
	35	35	-	-	1	(1)	(3)	(3)	32
	27	27	-	-	2	(3)	(4)	(4)	23
	23	23	-	-	1	(2)	(1)	(1)	20
10+ yrs prior	142	142	-	-	13	(1)	(19)	(19)	134
Total General Tax:	10,652	10,652	197,849	(4,911)	982	(1,938)	(192,425)	(38,268)	10,210
Local Option Taxes:									
Current Year	-	-	39,422	(980)	18	(267)	(37,099)	(37,099)	1,094
Prior Years	1,242	1,242	-	2	49	(87)	(688)	(688)	518
	551	551	-	-	50	(25)	(290)	(290)	286
	240	240	-	-	48	(4)	(188)	(188)	97
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	6	6	-	-	1	(1)	(3)	(3)	4
	4	4	-	-	-	-	-	-	4
	3	3	-	-	-	-	-	-	3
	3	3	-	-	-	-	-	-	2
10+ yrs prior	1	1	-	-	-	-	-	-	1
Total Local Option Taxes:	2,050	2,050	39,422	(978)	166	(384)	(38,268)	(38,268)	2,009
Bond Tax:									
Current Year	-	-	-	-	-	-	-	-	-
Prior Years	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	10	10	-	-	3	(1)	(3)	(3)	8
	9	9	-	-	-	-	(1)	(1)	7
	8	8	-	-	-	(2)	(1)	(1)	6
	4	4	-	-	-	-	-	-	4
10+ yrs prior	12	12	-	-	-	-	(1)	(1)	11
Total Bond Taxes	43	43	-	-	3	(3)	(6)	(6)	36

**SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund**

**Schedule of Property Tax Transactions (continued)
For the Year Ended June 30, 2011
(dollars in thousands)**

DISTRICT LEVIES	Tax Year	Taxes		Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes	
		Uncollected June 30, 2010	Uncollected June 30, 2011						Uncollected June 30, 2010	Uncollected June 30, 2011
Cancel/Omit										
Current Year	2010-2011	\$ -	\$ -	\$ 307	\$ (8)	\$ -	\$ (2)	\$ (289)	\$ (289)	\$ 9
Prior Years	2009-2010	10	-	-	-	-	(1)	(5)	(5)	4
	2008-2009	3	-	-	-	-	-	(3)	(3)	3
	2007-2008	4	-	-	-	1	-	(2)	(2)	2
	2006-2007	-	-	-	-	-	-	(1)	(1)	(1)
	2005-2006	-	-	-	-	-	-	-	-	-
	2004-2005	-	-	-	-	-	-	-	-	-
	2003-2004	-	-	-	-	-	-	-	-	-
		<u>17</u>		<u>307</u>	<u>(8)</u>	<u>1</u>	<u>(3)</u>	<u>(300)</u>		<u>17</u>
Total Cancel/Omit Taxes:										
Total Multnomah County:		12,762		237,578	(5,897)	1,152	(2,328)	(230,999)		12,272
Washington County:										
All Years ¹		-		1,698	-	-	-	(1,656)		-
Clackamas County:										
All Years ¹		-		191	-	-	-	(186)		-
Total All Counties:		<u>\$ 12,762</u>		<u>\$ 239,467</u>	<u>\$ (5,897)</u>	<u>\$ 1,152</u>	<u>\$ (2,328)</u>	<u>\$ (232,841)</u>		<u>\$ 12,272</u>

¹ The total collections from Washington and Clackamas Counties were less than one percent of the District's total property tax collections. The taxes receivable from the two counties at June 30, 2010 were considered immaterial.

All Property Tax Transactions were recorded in Fund 101 for FY 2010. Prior to FY 2008 Bond Taxes were recorded in Fund 305

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund
Schedule of Property Tax Transactions
For the Year Ended June 30, 2011
(dollars in thousands)

Reconciliation to Financial Statements:			
Property tax collections for the year ended June 30, 2011	\$	232,841	
Non-levied tax revenue received for the year ended June 30, 2011		737	
Uncollected property taxes at June 30, 2010	\$		12,272
Uncollected property taxes susceptible to accrual at June 30, 2011		1,130	(1,112)
Non-levied tax revenue susceptible to accrual at June 30, 2011		2	(1)
Property taxes & non-levy rev susceptible to accrual at June 30, 2010, and collected during the year ended June 30, 2011		<u>(1,431)</u>	
Total property taxes - General Fund	\$	<u>233,279</u>	
Total Deferred Revenues - General Fund			<u>\$ 11,159</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
Schedule By Source
June 30, 2011
(amounts expressed in thousands)

Governmental funds in capital assets:

Land	\$ 8,274
Buildings and site improvements	338,644
Vehicles and equipment	43,558
Construction in progress	14,013
Total governmental funds in capital assets	<u>\$ 404,489</u>

Investments in governmental funds capital assets by source:

General fund	\$ 151,130
Special Revenue funds	14,693
Capital Projects funds	238,666
Total governmental funds in capital assets	<u>\$ 404,489</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2011
(amounts expressed in thousands)

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Site Improvements</u>	<u>Vehicles and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
General government					
Instruction	\$ 6,266	\$ 307,964	\$ 4,709	\$ 8,778	\$ 327,717
Supporting services	2,008	30,669	36,862	5,235	74,774
Food services	-	11	1,987	-	1,998
Total governmental funds in capital assets	<u>\$ 8,274</u>	<u>\$ 338,644</u>	<u>\$ 43,558</u>	<u>\$ 14,013</u>	<u>\$ 404,489</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, 2011
(amounts expressed in thousands)

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2011</u>
General government				
Instruction	\$ 316,914	\$ 10,803	\$ -	\$ 327,717
Supporting services	68,960	6,111	(297)	74,774
Food services	1,582	416	-	1,998
Total governmental funds in capital assets	<u>\$ 387,456</u>	<u>\$ 17,330</u>	<u>\$ (297)</u>	<u>\$ 404,489</u>



CHIEF JUSTICE JOHN MARSHALL REPRESENTS THE COURAGE EVIDENCED BY BOTH THE MAN AND THE SCHOOL TO ACHIEVE PROGRESS THROUGH FUNDAMENTAL CHANGE.

THE SCALES OF JUSTICE REPRESENT THE BALANCED RESPONSIBILITY FOR LEARNING BETWEEN THE STUDENT AND TEACHER.

THE STARS REPRESENT THE CLOSE COOPERATION WHICH HAS DEVELOPED AMONG THE STUDENT BODY, FACULTY, AND COMMUNITY.

THE MINUTEMAN REPRESENTS THE ALERT AND VIGOROUS SPIRIT OF THE STUDENT BODY.

THE GEOMETRIC DESIGN SYMBOLIZES THE MODULAR FLEXIBLE SCHEDULE PIONEERED BY JOHN MARSHALL HIGH SCHOOL.

THE STATE IS REPRESENTED BY ITS FLOWER, THE OREGON GRAPE.

THE SATURNIA ROSE—THE OFFICIAL MARSHALL FLOWER—REPRESENTS THE CITY OF PORTLAND.

Marshall High School Crest and Description

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 (Schedules 1-4)</i>	94
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 (Schedules 5-8)</i>	102
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
<i>Debt Capacity (Schedules 9-11)</i>	106
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 (Schedules 12-13)</i>	109
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 (Schedules 14-16)</i>	111
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 Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

Government-wide Activities

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Assets				
Current and other assets	\$ 138,570	\$ 103,758	\$ 142,480	\$ 161,328
Prepaid pension costs	-	486,618	486,072	485,029
Net capital assets	<u>223,642</u>	<u>228,616</u>	<u>224,098</u>	<u>210,589</u>
Total assets	<u>362,212</u>	<u>818,992</u>	<u>852,650</u>	<u>856,946</u>
Liabilities				
Other current liabilities	121,904	116,164	75,478	75,082
Other long-term liabilities	126,945	78,866	79,987	37,907
Limited tax pension bonds payable	-	491,274	490,728	489,685
Other post employment benefits	-	-	-	-
Total liabilities	<u>248,849</u>	<u>686,304</u>	<u>646,193</u>	<u>602,674</u>
Net Assets				
Invested in capital assets, net of related debt	87,514	123,872	156,011	183,482
Restricted	-	-	-	-
Unrestricted	<u>25,849</u>	<u>8,816</u>	<u>50,446</u>	<u>70,790</u>
Total Net Assets	<u>\$ 113,363</u>	<u>\$ 132,688</u>	<u>\$ 206,457</u>	<u>\$ 254,272</u>

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 169,097	\$ 167,964	\$ 175,282	\$ 175,091	\$ 174,564	\$177,558
478,576	471,759	463,507	455,247	445,555	436,790
203,717	195,885	187,312	185,571	194,725	200,731
<u>851,390</u>	<u>835,608</u>	<u>826,101</u>	<u>815,909</u>	<u>814,844</u>	<u>815,079</u>
78,829	95,818	88,936	96,163	75,555	77,535
32,876	24,271	22,377	10,320	34,182	62,851
483,232	476,416	468,163	459,756	450,125	440,491
-	-	8,852	17,762	24,741	29,667
<u>594,937</u>	<u>596,505</u>	<u>588,328</u>	<u>584,001</u>	<u>584,603</u>	<u>610,544</u>
183,157	180,034	177,198	181,442	186,783	164,033
-	-	-	-	8,426	25,597
73,296	59,069	60,575	50,466	35,032	14,905
<u>\$ 256,453</u>	<u>\$ 239,103</u>	<u>\$ 237,773</u>	<u>\$ 231,908</u>	<u>\$ 230,241</u>	<u>\$ 204,535</u>

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

Government-wide Activities	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenditures				
Instruction	\$ 278,300	\$ 246,091	\$ 264,430	\$ 278,166
Support services	167,001	160,170	160,121	167,789
Enterprise and Community Services	14,879	14,736	13,735	15,425
Non-capital facilities maintenance & replacement	-	15,638	9,177	8,394
Interest and fees on long-term debt	12,210	10,607	5,382	3,919
Total expenditures	<u>472,390</u>	<u>447,242</u>	<u>452,845</u>	<u>473,693</u>
Program Revenues				
Charges for services:				
Instruction	8,165	6,319	3,561	3,672
Support services	-	-	2,127	1,855
Enterprise and Community Services	4,693	4,213	3,962	3,950
Operating grants and contributions:				
Instruction	55,615	48,306	40,545	43,992
Support services	18,250	16,186	18,076	23,582
Enterprise and Community Services	10,090	11,125	10,983	11,128
Total program revenues	<u>96,813</u>	<u>86,149</u>	<u>79,254</u>	<u>88,179</u>
Net Expenditures	<u>(375,577)</u>	<u>(361,093)</u>	<u>(373,591)</u>	<u>(385,514)</u>
General Revenues:				
Property taxes, levies for operations	128,574	131,056	135,183	138,699
Property taxes, levies for debt service	39,312	47,082	45,673	33,979
Local option taxes	14,879	16,263	17,165	31,751
Construction excise tax	-	-	-	-
State School Fund	193,284	150,705	183,619	148,013
State Common School Fund	1,527	3,100	1,251	3,784
County and intermediate sources	10,864	24,441	50,806	59,734
Federal Stimulus	-	-	-	-
Investment earnings	5,311	2,188	1,786	3,091
Other	2,279	5,344	6,384	8,254
Gain (Loss) on disposal of capital assets	2,098	239	5,493	6,024
Total general revenues	<u>398,128</u>	<u>380,418</u>	<u>447,360</u>	<u>433,329</u>
Extraordinary items	-	-	-	-
Change in Net Assets	<u>\$ 22,551</u>	<u>\$ 19,325</u>	<u>\$ 73,769</u>	<u>\$ 47,815</u>

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 272,831	\$ 281,308	\$ 311,474	\$ 306,993	\$ 323,190	\$ 315,465
178,014	198,721	192,598	196,857	183,267	204,613
15,386	15,187	15,750	16,653	17,135	19,758
-	7,633	3,140	6,899	14,177	11,649
1,816	1,535	1,815	1,600	1,642	2,135
<u>468,047</u>	<u>504,384</u>	<u>524,777</u>	<u>529,002</u>	<u>539,411</u>	<u>553,620</u>
4,447	4,100	4,151	4,783	4,898	4,799
1,712	2,157	2,879	3,075	2,883	2,348
3,153	4,190	4,353	4,442	4,655	4,666
44,131	51,915	68,180	72,121	71,538	75,981
23,566	29,163	27,793	28,722	27,585	25,844
11,176	12,500	1,889	2,620	2,548	3,915
<u>88,185</u>	<u>104,025</u>	<u>109,245</u>	<u>115,763</u>	<u>114,107</u>	<u>117,553</u>
<u>(379,862)</u>	<u>(400,359)</u>	<u>(415,532)</u>	<u>(413,239)</u>	<u>(425,304)</u>	<u>(436,067)</u>
144,543	165,536	174,926	181,928	189,234	194,170
921	37	-	-	-	-
466	200	35,887	37,364	38,292	38,226
-	-	69	1,962	1,192	1,361
157,061	166,813	168,438	151,376	155,566	139,229
4,135	4,316	4,864	3,717	4,544	4,461
59,613	30,009	15,511	10,271	10,223	9,543
-	-	-	8,816	12,182	14,349
5,554	7,795	7,208	3,477	781	582
9,783	7,956	7,260	8,359	7,924	8,433
(33)	347	39	104	1,981	7
<u>382,043</u>	<u>383,009</u>	<u>414,202</u>	<u>407,374</u>	<u>421,919</u>	<u>410,361</u>
-	-	-	-	1,718	-
<u>\$ 2,181</u>	<u>\$ (17,350)</u>	<u>\$ (1,330)</u>	<u>\$ (5,865)</u>	<u>\$ (1,667)</u>	<u>\$ (25,706)</u>

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)

Governmental Activities	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Nonspendable	\$ 1,770	\$ 1,547	\$ 1,363	\$ 1,133
Committed	-	-	-	-
Unassigned	<u>(4,589)</u>	<u>(15,099)</u>	<u>11,828</u>	<u>30,704</u>
Total general fund	<u>(2,819)</u>	<u>(13,552)</u>	<u>13,191</u>	<u>31,837</u>
All Other				
Governmental Funds				
Nonspendable	507	603	632	712
Restricted	53,331	34,683	24,171	15,801
Committed	-	1,800	11,300	20,800
Unassigned	<u>(892)</u>	<u>-</u>	<u>-</u>	<u>(222)</u>
Total all other governmental funds	52,946	37,086	36,103	37,091
Total Governmental Fund Balances	<u><u>\$ 50,127</u></u>	<u><u>\$ 23,534</u></u>	<u><u>\$ 49,294</u></u>	<u><u>\$ 68,928</u></u>

In June 2011, the Portland Public Schools Board of Education adopted new fund-classifications required by GASB Statement No. 54. To allow comparison for years prior to 2011 the schedule above presents the fund classifications consistent with the June 2011 Board adoptions.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 949	\$ 823	\$ 1,949	\$ 1,881	\$ 1,587	\$ 795
-	-	2,000	2,000	2,000	1,289
<u>42,286</u>	<u>43,032</u>	<u>50,556</u>	<u>46,079</u>	<u>50,185</u>	<u>29,457</u>
<u>43,235</u>	<u>43,855</u>	<u>54,505</u>	<u>49,960</u>	<u>53,772</u>	<u>31,541</u>
798	591	512	635	446	522
8,590	8,913	7,267	11,039	21,648	25,137
18,800	16,800	16,800	16,800	16,800	26,899
-	-	-	(2,467)	(14,536)	-
28,188	26,304	24,579	26,007	24,358	52,558
<u>\$ 71,423</u>	<u>\$ 70,159</u>	<u>\$ 79,084</u>	<u>\$ 75,967</u>	<u>\$ 78,130</u>	<u>\$ 84,099</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)

Governmental Activities

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
Property and other taxes	\$ 166,430	\$ 178,203	\$ 181,356	\$ 173,147
State School Fund	193,284	150,705	183,619	148,013
Local option taxes	14,879	16,263	17,165	31,751
County and intermediate sources	10,864	24,441	50,806	59,734
Federal stimulus	-	-	-	-
State Common School Fund	1,527	3,100	1,251	3,784
Federal and state support	74,307	64,116	59,191	68,903
Charges for services	4,693	4,213	9,651	9,477
Extracurricular activities	7,007	7,171	7,259	6,872
Investment earnings	5,126	2,128	1,752	3,017
Other	12,909	15,533	9,885	10,996
Total revenues	<u>491,026</u>	<u>465,873</u>	<u>521,935</u>	<u>515,694</u>
Expenditures				
Current Operating:				
Instruction	274,713	254,343	261,213	269,938
Support services	181,565	160,996	158,223	167,967
Enterprise and Community Services	14,865	14,837	14,282	15,558
Non-capital facilities acquisition & construction	-	15,637	9,177	5,274
Debt Service:				
Principal	39,196	42,981	47,532	42,053
Interest	12,343	8,983	6,563	3,987
Total expenditures	<u>522,682</u>	<u>497,777</u>	<u>496,990</u>	<u>504,777</u>
Excess (deficiency) of revenues over expenditures	<u>(31,656)</u>	<u>(31,904)</u>	<u>24,945</u>	<u>10,917</u>
Other Financing Sources (Uses)				
Transfers in	9,741	8,850	16,535	17,919
Transfers out	(9,741)	(8,850)	(16,535)	(17,919)
Issuance of debt	-	490,933	11,900	-
Payments to escrow agent	-	(486,618)	(11,842)	-
Proceeds from the sale of capital assets	2,306	996	757	8,717
Total other financing sources (uses)	<u>2,306</u>	<u>5,311</u>	<u>815</u>	<u>8,717</u>
Net change in fund balances	<u>\$ (29,350)</u>	<u>\$ (26,593)</u>	<u>\$ 25,760</u>	<u>\$ 19,634</u>
Debt services as a percentage of noncapital expenditures	9.9%	10.8%	11.1%	9.2%

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 147,352	\$ 166,522	\$ 174,568	\$ 181,847	\$ 190,105	\$ 196,044
157,062	164,182	168,438	151,376	155,566	139,229
467	200	35,373	37,042	38,470	38,603
59,613	30,009	15,511	10,271	10,224	9,544
-	-	-	10,206	26,972	28,617
4,135	6,947	4,864	3,717	4,544	4,461
68,060	80,134	82,435	89,014	74,055	79,408
9,312	10,446	11,383	12,300	12,436	11,814
7,123	7,178	7,963	7,524	7,423	7,563
5,365	7,531	6,907	3,310	1,037	649
12,352	13,674	14,069	13,449	13,131	11,991
<u>470,841</u>	<u>486,823</u>	<u>521,511</u>	<u>520,056</u>	<u>533,963</u>	<u>527,923</u>
264,431	276,929	299,642	301,457	310,846	314,597
172,953	182,918	202,661	192,384	199,983	205,869
15,448	15,077	15,467	16,386	17,106	20,001
6,491	7,633	3,140	6,899	14,166	11,546
7,721	8,039	6,966	7,291	5,901	8,082
1,736	1,412	1,546	1,499	1,740	2,043
<u>468,780</u>	<u>492,008</u>	<u>529,422</u>	<u>525,916</u>	<u>549,742</u>	<u>562,138</u>
<u>2,061</u>	<u>(5,185)</u>	<u>(7,911)</u>	<u>(5,860)</u>	<u>(15,779)</u>	<u>(34,215)</u>
10,700	10,704	8,748	9,913	7,550	9,939
(10,700)	(10,704)	(8,748)	(7,913)	(7,550)	(6,939)
-	2,125	15,220	-	15,000	36,750
-	-	-	-	-	-
434	1,796	1,616	743	2,942	434
<u>434</u>	<u>3,921</u>	<u>16,836</u>	<u>2,743</u>	<u>17,942</u>	<u>40,184</u>
<u>\$ 2,495</u>	<u>\$ (1,264)</u>	<u>\$ 8,925</u>	<u>\$ (3,117)</u>	<u>\$ 2,163</u>	<u>\$ 5,969</u>
2.0%	2.0%	1.6%	1.7%	1.4%	1.8%

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 Ending June 30,	Assessed Value (not including exempt property)										Less:		Total Taxes Imposed (Net Levy)
	Real Property	Personal Property	Manufactured Structures	Public Utility	Total Assessed Value	Add: Non-Housing Profit	Less: Urban Renewal Excess	Total Net Assessed Value	Total Direct Tax Rate	Amount tax rate will raise	Reduction and Adjustments		
2002	n/a	n/a	n/a	n/a	\$ 27,988,718	\$ -	\$ -	\$ 27,988,718	\$ 6,9747	\$ 195,213	\$ 9,777	\$ 185,436	
2003	\$ 27,152,155	\$ 1,969,018	13,810	1,437,798	\$ 30,572,781	15,399	1,783,901	\$ 28,804,279	7.2206	207,984	7,777	200,207	
2004	28,176,402	1,885,801	12,985	1,390,717	31,465,905	15,861	1,909,048	29,572,718	7.1160	210,439	7,145	203,294	
2005	29,273,560	1,835,681	15,126	1,456,843	32,581,210	16,337	2,107,473	30,490,074	7.1792	218,894	7,689	211,205	
2006	30,797,829	1,832,766	14,267	1,251,626	33,896,488	16,827	2,512,764	31,400,551	4.7743	149,916	475	149,441	
2007	32,185,082	1,863,994	13,755	1,309,159	35,371,990	17,332	2,830,224	32,559,098	5.2781	171,850	1,963	169,887	
2008	34,287,573	1,859,615	14,311	1,273,298	37,434,797	18,062	3,200,929	34,251,930	6.5281	223,600	7,940	215,660	
2009	36,093,965	1,901,468	14,130	1,383,226	39,392,789	23,270	3,635,372	35,780,687	6.5281	233,580	8,151	225,429	
2010	37,714,170	1,883,081	15,640	1,607,399	41,220,290	23,968	4,189,459	37,054,799	6.5281	241,897	8,996	232,901	
2011	38,951,439	1,903,652	12,167	1,629,651	42,526,524	19,736	4,425,353	38,120,907	6.5281	248,857	9,390	239,467	

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 2002: Tax Supervising and Conservation Commission annual reports for the relevant fiscal year. Total assessed values do not include urban renewal excess.
FY 2003-2011: 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
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
2010	5.2781	1.2500	-	-	6.5281
2011	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
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
2010	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576
2011	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 Ten Years Ago
Taxing District - 311 Portland School District
(dollars in thousands)

Taxpayer	2011			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ten Largest Taxpayers						
Pacifcorp (PP&I)	\$ 282,606	1	0.74 %	\$ 213,088	3	0.80 %
Portland General Electric	241,239	2	0.63	190,321	4	0.71
Weston Investment Co., LLC	219,480	3	0.58	-	-	-
Port of Portland	210,834	4	0.55	-	-	-
Comcast Corporation	194,788	5	0.51	-	-	-
US West Communications Inc./ Qwest Corporation	184,976	6	0.49	359,134	1	1.34
LC Portland LLC	173,396	7	0.45	-	-	-
Evraz Inc. NA	166,299	8	0.44	-	-	-
555 SW Oak LLC	130,945	9	0.34	-	-	-
Wacker Siltronic Corporation	-	-	-	219,400	2	0.82
Glimcher Lloyd Venture LLC	-	-	-	126,459	5	0.47
One Eleven Tower LLC	-	-	-	119,749	6	0.45
Fred Meyer Stores Inc.	126,979	10	0.33	106,750	7	0.40
Oregon Arena Corporation	-	-	-	100,980	8	0.38
Northwest Natural Gas Co.	-	-	-	96,264	9	0.36
National Biscuit Co.	-	-	-	87,388	10	0.33
Subtotal of Ten Largest Taxpayers	1,931,542		5.06	1,619,533		6.06
All Other Taxpayers	36,189,365		94.94	25,099,655		93.94
Total All Taxpayers	\$ 38,120,907		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
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	4,285	164,518	96.84
2008	216,645	202,448	93.45	4,854	205,875	95.03
2009	226,206	211,232	93.38	5,157	216,389	95.66
2010	233,861	219,970	94.06	7,165	227,135	97.12
2011	239,467	225,418	94.13	7,422	232,840	97.23

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 and the Schedule of Property tax Collections (General Fund), in the Other Financial Section of the CAFR. Note that the Net Taxes Levied in Schedule 5 is based on the Assessed Value, while data for this schedule is based on the actual Net Taxes Levied.

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 10
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011
(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	\$ 142,065	85.4423 %	\$ 121,384
Portland Community College	199,390	47.4451	94,601
Multnomah County	104,660	73.7082	77,143
Portland Metro	158,020	38.0257	60,088
Tri-Met	9,800	38.1953	3,743
City of Lake Oswego	18,580	5.2006	966
Tualatin Hills Park & Rec. District	70,790	1.2511	886
East Multnomah Soil & Water Conservation	870	63.9157	556
Tualatin Valley Fire & Rescue	49,865	2.0283	1,011
Washington County	20,030	0.6303	126
Clackamas County	76,195	0.1201	92
Mt. Hood Community College	22,615	0.0750	17
Clackamas Cty RFPD #1	3,500	0.1122	4
Multnomah County Drainage District 1	140	100.0000	140
Subtotal, overlapping debt			360,757
Direct District net property-tax backed debt			-
Total direct and overlapping debt			<u>\$ 360,757</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)

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Legal Debt Margin Calculation for Fiscal Year 2011											
	Real Market Value									\$ 75,836,346	
	Debt Limit (7.95%) ¹									6,028,990	
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>\$ 6,028,990</u>	
Debt Limit		\$3,421,393	\$ 3,603,191	\$ 3,810,833	\$ 4,039,060	\$ 4,513,275	\$ 5,036,778	\$ 5,835,393	\$ 6,267,884	\$ 6,194,374	\$ 6,028,990
Total net debt applicable to limit		<u>114,454</u>	<u>93,075</u>	<u>60,747</u>	<u>32,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin		<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>	<u>\$ 6,194,374</u>	<u>\$ 6,028,990</u>
Total net debt applicable to the limit as a percentage of debt limit		3.35%	2.58%	1.59%	0.80%	0.00%	0.00%	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 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
^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

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
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	5.1 ²
2007	699,186	28,385,388	40,598	4.8 ²
2008	712,539	29,372,019	41,222	5.5 ²
2009	726,855	29,430,654	40,490	11.3 ²
2010	- ¹	- ¹	- ¹	10.5 ²
2011	- ¹	- ¹	- ¹	9.5 ²

¹ Data for 2010 and 2011 not available at time of printing.

² As of June, 2011

Sources:

Population, personal income and per capita information: US Department of Commerce, Bureau of Economic Analysis as reported in April 2011.

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	2011			2002		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Ten Largest Employers						
Intel Corporation	15,228	1	1.56 %	16,000	1	1.69 %
Providence Health System	13,831	2	1.41	12,800	3	1.35
Oregon Health & Science University	13,283	3	1.36	10,100	4	1.07
Fred Meyer Stores	9,630	4	0.98	13,325	2	1.41
Kaiser Foundation Health Plan	9,204	5	0.94	7,093	7	0.75
Legacy Health System	8,250	6	0.84	7,158	6	-
Multnomah County	6,310	7	0.64	-	-	-
Nike Incorporated	6,000	8	0.61	-	-	-
Portland School District	5,101	9	0.52	-	-	-
City of Portland	5,000	10	0.51	-	-	-
State of Oregon	-	-	-	9,534	5	1.01
Safeway Inc	-	-	-	6,000	8	0.63
US Bankcorp	-	-	-	4,242	9	0.45
Meier & Frank Company	-	-	-	3,500	10	0.37
Subtotal of Ten Largest Employers	91,837		9.37	89,752		8.73
All Other Employers	887,063		90.63	858,548		91.27
Total Portland PMSA² Employment	978,900³		100.00 %	948,300		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 2011

Sources:

Portland Business Alliance, Book of Lists published in December 2001 & 2010.

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

<u>Assignment/Function</u>	Full-time Equivalent Employees for the Fiscal Year		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Teachers	2,598.3	2,535.6	2,558.5
Educational Assistants	680.3	753.4	636.0
School Level Administration	150.5	141.0	140.6
District Level Administration	25.3	26.9	22.4
Other Staff	<u>1,764.7</u>	<u>1,786.7</u>	<u>1,947.3</u>
Total FTE	<u><u>5,219.1</u></u>	<u><u>5,243.6</u></u>	<u><u>5,304.8</u></u>

Note:

¹ The coding and categorization used by the State in the collection of this data changed in fiscal 2008-09. Over time, ten years of data collected under the new methodology will be presented.

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

	2003	2004	2005	2006	2007
Nutrition Services					
Number of Meals Served ¹					
Paid Meals	1,378,222	1,216,355	1,187,985	1,347,109	1,333,234
Reduced Meals	543,040	505,683	472,370	514,748	481,156
Free Meals	4,759,912	4,695,517	4,454,440	4,250,527	4,155,965
Total meals served	<u>6,681,174</u>	<u>6,417,555</u>	<u>6,114,795</u>	<u>6,112,384</u>	<u>5,970,355</u>
	21%	19%	19%	22%	22%
	8%	8%	8%	8%	8%
	71%	73%	73%	70%	70%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Average Daily Breakfast Served	18,484	18,524	16,376	14,782	14,017
Average Daily Lunch Served	19,616	18,515	18,107	19,798	20,164
Student Participation	45.48%	45.20%	43.65%	50.17%	53.46%
Transportation					
Number of buses	263	258	245	234	241
Total miles traveled	3,462,902	3,270,179	2,985,868	2,635,510	2,848,220
Cost per mile	\$ 3.51	\$ 3.77	\$ 3.87	\$ 4.38	\$ 5.09
Area encompassed by District (sq mi)	160	160	160	160	160
Nutrition Services					
Number of Meals Served ¹					
Paid Meals	1,553,008	1,439,321	1,443,806	1,421,889	26%
Reduced Meals	577,275	562,630	549,157	502,171	9%
Free Meals	3,538,655	3,485,451	3,651,647	3,560,515	65%
Total meals served	<u>5,668,938</u>	<u>5,487,402</u>	<u>5,644,610</u>	<u>5,484,575</u>	<u>100%</u>
Average Daily Breakfast Served	12,343	11,344	10,592	10,101	
Average Daily Lunch Served	19,875	19,867	20,369	20,295	
Student Participation	52.45%	47.98%	46.94%	46.96%	
Transportation					
Number of buses	240	239	252	258	
Total miles traveled	3,006,996	2,914,877	3,317,636	3,265,683	
Cost per mile	\$ 5.42	\$ 5.77	\$ 5.50	\$ 5.63	
Area encompassed by District (sq mi)	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.

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

		Footnotes	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-2011
Elementary Schools and Programs												
Abernethy (1924)	(12)											
Gross Floor Area (sq ft): 50,358												
Elementary Enrollment			204	213	199	203	366	357	342	349	392	421
Focus/Alt Prog (Environmental School)			218	225	233	-	-	-	-	-	-	-
Ainsworth w/Annex (1912)	(13)											
Gross Floor Area (sq ft): 57,593												
Elementary Enrollment			549	557	522	499	492	509	493	520	528	551
Alameda (1921)												
Gross Floor Area (sq ft): 64,138												
Elementary Enrollment			622	648	631	630	669	678	697	717	744	774
Arleta (1929)	(6)											
Gross Floor Area (sq ft): 76,489												
Elementary Enrollment			352	339	330	332	313	370	387	420	420	428
Astor (1949)	(6)											
Gross Floor Area (sq ft): 47,360												
Elementary Enrollment			337	311	283	287	279	331	381	438	458	445
Atkinson (1953)												
Gross Floor Area (sq ft): 58,057												
Elementary Enrollment			543	536	537	553	558	549	524	535	491	484
Beach (1928)	(6)											
Gross Floor Area (sq ft): 70,404												
Elementary Enrollment			504	468	411	419	414	412	426	484	538	561
Beverly Cleary (1959)	(4)											
Gross Floor Area (sq ft): 90,664												
Elementary Enrollment			191	208	225	211	215	210	578	557	552	604
Boise-Eliot (1926)	(6)											
Gross Floor Area (sq ft): 61,369												
Elementary Enrollment			672	647	584	523	461	415	412	423	417	390
Bridger (1951)	(1,6)											
Gross Floor Area (sq ft): 45,142												
Elementary Enrollment			309	431	378	387	388	421	470	320	331	365
Bridlemile (1956)												
Gross Floor Area (sq ft): 59,037												
Elementary Enrollment			449	436	460	450	459	458	468	464	480	463
Buckman (1922)												
Gross Floor Area (sq ft): 82,023												
Elementary Enrollment			530	534	526	529	537	506	481	498	492	497
Capitol Hill (1917)	(12)											
Gross Floor Area (sq ft): 47,275												
Elementary Enrollment			310	308	282	255	335	341	354	321	357	351
Cesar Chavez (1927)	(4)											
Gross Floor Area (sq ft): 75,814												
Middle School Enrollment			393	416	338	339	325	401	587	499	484	477
Chapman (1923)												
Gross Floor Area (sq ft): 62,962												
Elementary Enrollment			527	484	449	414	453	478	476	532	544	522
Chief Joseph (1949)	(12)											
Gross Floor Area (sq ft): 46,204												
Elementary Enrollment			298	287	266	234	393	359	361	370	377	408
Creative Science School (1955)	(1,6)											
Gross Floor Area (sq ft): 50,595												
Elementary Enrollment			-	-	-	-	-	-	-	260	301	305

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

	Footnotes	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-2011
Creston w/ Annex (1946)	(6)										
Gross Floor Area (sq ft): 80,940											
Elementary Enrollment		353	327	301	246	290	309	335	365	333	345
Duniway (1926)											
Gross Floor Area (sq ft): 67,492											
Elementary Enrollment		431	432	453	443	443	446	426	411	423	442
Faubion (1950)	(6)										
Gross Floor Area (sq ft): 57,846											
Elementary Enrollment		302	299	272	269	309	332	355	396	393	401
Forest Park (1998)											
Gross Floor Area (sq ft): 42,000											
Elementary Enrollment		334	377	407	456	517	508	502	512	501	507
Glencoe (1923)	(12)										
Gross Floor Area (sq ft): 64,378											
Elementary Enrollment		449	424	430	442	510	498	506	499	474	480
Grout (1927)	(16)										
Gross Floor Area (sq ft): 65,838											
Elementary Enrollment		295	248	314	320	310	333	349	339	346	361
Harrison Park	(18)										
Gross Floor Area (sq ft): 109,059											
Elementary Enrollment		532	556	515	499	500	508	507	719	732	751
Hayhurst (1954)	(13)										
Gross Floor Area (sq ft): 56,266											
Elementary Enrollment		271	259	212	353	358	345	329	351	385	396
Humboldt (1959)	(6)										
Gross Floor Area (sq ft): 46,865											
Elementary Enrollment		326	283	257	255	270	240	235	258	275	230
Irvington (1932)	(6)										
Gross Floor Area (sq ft): 65,285											
Elementary Enrollment		510	506	491	473	445	473	505	503	505	529
James John (1929)											
Gross Floor Area (sq ft): 63,697											
Elementary Enrollment		564	551	514	481	458	459	430	404	384	394
Kelly w/ Kelly Center (1957)											
Gross Floor Area (sq ft): 97,546											
Elementary Enrollment		481	491	491	478	484	439	464	468	467	509
King (1925)	(6)										
Gross Floor Area (sq ft): 88,957											
Elementary Enrollment		710	583	544	525	491	458	453	399	336	288
Laurelhurst (1923)	(6)										
Gross Floor Area (sq ft): 46,204											
Elementary Enrollment		526	561	561	558	581	561	536	606	708	704
Lee (1952)	(6)										
Gross Floor Area (sq ft): 73,276											
Elementary Enrollment		408	419	387	333	309	354	367	434	458	457
Lent (1948)	(6)										
Gross Floor Area (sq ft): 76,478											
Elementary Enrollment		400	383	335	355	366	400	475	528	549	561
Lewis (1952)											
Gross Floor Area (sq ft): 48,380											
Elementary Enrollment		294	294	289	271	301	293	310	349	374	396

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

		Footnotes	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-2011
Llewellyn (1928)												
Gross Floor Area (sq ft): 50,651												
Elementary Enrollment			311	315	302	298	301	309	341	396	434	485
Maplewood (1948)		(12)										
Gross Floor Area (sq ft): 35,022												
Elementary Enrollment			309	279	288	285	315	307	308	331	342	350
Markham (1950)		(12)										
Gross Floor Area (sq ft): 82,794												
Elementary Enrollment			358	333	330	301	398	359	349	360	376	376
Marysville (1921)		(6, 17)										
Gross Floor Area (sq ft): 53,490												
Elementary Enrollment			395	394	367	349	336	368	407	437	435	404
Ockley Green (1925)		(10)										
Gross Floor Area (sq ft): 71,937												
Middle School Enrollment			490	475	427	385	318	442	389	337	299	310
Peninsula (1952)		(6)										
Gross Floor Area (sq ft): 70,151												
Elementary Enrollment			328	333	293	271	254	299	326	370	375	361
Rieke (1959)												
Gross Floor Area (sq ft): 30,647												
Elementary Enrollment			307	266	276	266	267	280	322	348	371	356
Rigler (1931)		(3, 6)										
Gross Floor Area (sq ft): 59,760												
Elementary Enrollment			492	474	489	466	442	538	562	525	596	588
Rosa Parks (2006)												
Gross Floor Area (sq ft): 45,147												
Elementary Enrollment			-	-	-	-	-	435	562	503	463	434
Roseway Heights (1921)		(4)										
Gross Floor Area (sq ft): 75,693												
Elementary Enrollment			470	489	446	433	429	406	660	565	578	551
Sabin (1927)		(2,6)										
Gross Floor Area (sq ft): 71,946												
Elementary Enrollment			370	292	393	413	422	432	451	363	348	362
Scott (1949)		(3)										
Gross Floor Area (sq ft): 62,681												
Elementary Enrollment			512	457	442	377	369	440	539	530	563	533
Sitton (1949)												
Gross Floor Area (sq ft): 58,762												
Elementary Enrollment			421	371	359	338	300	285	315	309	291	307
Skyline (1939)		(6)										
Gross Floor Area (sq ft): 37,245												
Elementary Enrollment			209	201	214	197	201	233	258	266	294	281
Stephenson (1964)												
Gross Floor Area (sq ft): 40,539												
Elementary Enrollment			393	353	352	348	325	310	320	327	335	324
Sunnyside Environmental (1925)		(13)										
Gross Floor Area (sq ft): 54,361												
Elementary Enrollment			334	276	203	459	443	501	542	565	585	580
Vernon (1931)		(6)										
Gross Floor Area (sq ft): 72,323												
Elementary Enrollment			445	405	445	386	384	404	453	394	397	376

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

	Footnotes	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-2011
Vestal (1929)	(6)										
Gross Floor Area (sq ft): 66,378											
Elementary Enrollment		227	367	344	322	294	343	389	428	433	451
Whitman (1954)											
Gross Floor Area (sq ft): 69,755											
Elementary Enrollment		475	433	431	421	404	384	370	369	372	347
Winterhaven (1930)											
Gross Floor Area (sq ft): 39,084											
Elementary Enrollment		169	167	254	296	339	344	335	345	345	352
Woodlawn (1926)	(12)										
Gross Floor Area (sq ft): 61,595											
Elementary Enrollment		518	460	443	409	531	450	424	462	449	478
Woodmere (1954)											
Gross Floor Area (sq ft): 59,293											
Elementary Enrollment		503	490	477	458	449	422	418	398	397	393
Woodstock (1955)											
Gross Floor Area (sq ft): 69,135											
Elementary Enrollment		372	364	345	343	338	384	407	443	433	466
Middle Schools and Programs											
Beaumont (1926)											
Gross Floor Area (sq ft): 94,431											
Middle School Enrollment		670	610	577	542	536	500	460	458	450	455
George (1950)											
Gross Floor Area (sq ft): 78,713											
Middle School Enrollment		558	546	467	473	403	383	328	375	388	364
Gray (1951)											
Gross Floor Area (sq ft): 60,624											
Middle School Enrollment		526	533	497	520	496	457	421	420	419	428
Hosford (1925)											
Gross Floor Area (sq ft): 77,050											
Middle School Enrollment		374	386	377	405	448	476	516	531	548	547
Jackson (1964)											
Gross Floor Area (sq ft): 247,779											
Middle School Enrollment		807	823	768	773	694	688	714	712	651	584
Lane (1926)											
Gross Floor Area (sq ft): 87,438											
Middle School Enrollment		696	652	638	592	553	527	489	419	397	398
Mt. Tabor (1952)											
Gross Floor Area (sq ft): 83,076											
Middle School Enrollment		700	707	729	696	676	633	588	555	559	579
Sellwood (1913)											
Gross Floor Area (sq ft): 86,823											
Middle School Enrollment		602	619	593	603	564	515	459	474	480	474
West Sylvan (1953)											
Gross Floor Area (sq ft): 104,009											
Middle School Enrollment		915	947	897	884	878	896	886	863	863	849

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

Footnotes	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-2011
High Schools and Programs										
Benson (1917)										
Gross Floor Area (sq ft): 410,910										
High School Enrollment	1,479	1,501	1,498	1,501	1,452	1,294	1,218	1,134	1,100	986
Focus/Alt Prog Enroll (Night School)	-	-	10	20	15	10	-	-	-	-
Cleveland (1929)										
Gross Floor Area (sq ft): 253,895										
High School Enrollment	1,366	1,381	1,388	1,332	1,449	1,472	1,528	1,516	1,553	1,570
Franklin (1915) (5)										
Gross Floor Area (sq ft): 237,027										
High School Enrollment	1,470	1,460	1,528	1,547	1,404	1,283	1,233	1,007	1,032	1,036
Grant (1923)										
Gross Floor Area (sq ft): 275,173										
High School Enrollment	1,798	1,848	1,835	1,848	1,815	1,691	1,642	1,553	1,610	1,620
Focus/Alt Prog Enroll (Night Sch) (9)	82	100	98	76	91	-	-	-	-	-
Jefferson (1909) (5,20)										
Gross Floor Area (sq ft): 360,911										
High School Enrollment	855	826	702	661	647	566	707	631	617	621
Lincoln (1950)										
Gross Floor Area (sq ft): 236,893										
High School Enrollment	1,469	1,429	1,483	1,444	1,485	1,498	1,404	1,335	1,395	1,410
Madison (1955) (3)										
Gross Floor Area (sq ft): 370,112										
High School Enrollment	1,204	1,261	1,194	1,063	983	936	859	900	860	910
Marshall (1959) (9,11)										
Gross Floor Area (sq ft): 271,427										
High School Enrollment	1,222	1,102	949	906	955	860	775	774	747	707
Roosevelt w/ Auto Shop (1921) (8)										
Gross Floor Area (sq ft): 274,478										
High School Enrollment	1,141	989	825	850	778	794	730	703	681	683
Wilson (1954)										
Gross Floor Area (sq ft): 326,062										
High School Enrollment	1,644	1,630	1,580	1,531	1,632	1,556	1,533	1,480	1,439	1,435

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

Footnotes	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-2011
Facilities with Focus/Alternative Programs										
daVinci (Monroe) (1928)										
Gross Floor Area (sq ft): 99,219										
Focus/Alt Prog Enroll. (da Vinci)	319	320	327	350	380	444	458	445	456	464
Focus/Alt Prog Enroll. (Monroe) (8)	34	20	-	-	-	-	-	-	-	-
Focus/Alt Prog Enroll. (PIVOT) (8)	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	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	418	420	432	439	447	439	444	424	443	440
Richmond (1908) (12)										
Gross Floor Area (sq ft): 77,070										
Elementary Enrollment	470	443	415	393	309	360	436	505	569	612
Enrollment in other Focus/Alt. Programs										
Focus/Alt Prog Enroll. (Alliance HS) (9)	-	-	-	-	-	366	292	288	267	223
Focus/Alt Prog Enroll. (Head Start)	527	620	539	528	625	606	674	696	732	804
Focus/Alt Prog Enroll. (ACCESS)	-	-	-	-	-	-	-	159	200	196
Focus/Alt Prog Enroll. (Turnarnd) (8)	-	-	-	-	-	-	-	-	-	-
Focus/Alt Prog Enroll. (ESL) (8)	32	9	-	-	-	-	-	-	-	-
Inactive School and Other Facilities										
Applegate (1954) (12)										
Gross Floor Area (sq ft): 26,101										
Elementary Enrollment	212	209	198	138	-	-	-	-	-	-
Ball (1948) [sold in 2007]										
Gross Floor Area (sq ft): 24,594										
Elementary Enrollment	309	312	226	228	271	-	-	-	-	-
BESC (1978)										
Gross Floor Area (sq ft): 381,723										
Binnsmead (1949) (1)										
Middle School Enrollment	735	769	687	687	680	484	346	-	-	-
Brooklyn (1930) (16)										
Gross Floor Area (sq ft): 39,084										
Elementary Enrollment	140	121	-	-	-	-	-	-	-	-
Child Service Center (1924)										
Gross Floor Area (sq ft): 190,597										
Clarendon (1970) (4, 19)										
Gross Floor Area (sq ft): 42,958										
Elementary Enrollment	489	522	466	460	429	286	-	-	-	-
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										
Edwards (1960) (12)										
Gross Floor Area (sq ft): 20,502										
Elementary Enrollment	212	202	189	199	-	-	-	-	-	-

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

	Footnotes	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-2011
Fernwood (1911)	4, 19))										
Middle School Enrollment		608	632	644	582	466	347	-	-	-	-
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)	160	188	-	-	-	-	-	-	-	-
Green Thumb (1974)											
Gross Floor Area (sq ft): 32,767											
Gregory Heights (1923)	4, 19))										
Gross Floor Area (sq ft): 95,438											
Middle School Enrollment		821	740	718	630	691	471	-	-	-	-
Holladay Center w/ Annex (1970)											
Gross Floor Area (sq ft): 61,457											
Kellogg (1917)	(5)										
Gross Floor Area (sq ft): 94,592											
Middle School Enrollment		667	671	633	591	482	269	-	-	-	-
Kenton (1913)	(12)										
Gross Floor Area (sq ft): 52,363											
Elementary Enrollment		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		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		517	463	373	294	273	131	-	-	-	-
Whitaker/Adams - Killingsworth (1967)	12, 19)										
Gross Floor Area (sq ft): 0											
Middle School Enrollment		-	-	-	-	-	-	-	-	-	-
Whitaker Lakeside Holding (1953)	12, 19)										
Gross Floor Area (sq ft): 0											
Middle School Enrollment		482	441	357	289	-	-	-	-	-	-
Wilcox (1959)	(16)										
Gross Floor Area (sq ft): 19,102											
Elementary Enrollment		197	-	-	-	-	-	-	-	-	-
Youngson (1955)	(16)										
Gross Floor Area (sq ft): 32,824											
Elementary Enrollment		177	-	-	-	-	-	-	-	-	-

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

Footnotes	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-2011
Enrollment Summary										
Regular Programs										
Elementary Schools	24,880	23,925	22,733	22,307	22,142	22,671	23,817	24,625	25,145	25,397
Middle Schools	10,390	10,275	9,620	9,250	8,545	7,622	6,252	5,751	5,695	5,619
High Schools	13,648	13,427	12,982	12,683	12,600	11,950	11,629	11,033	11,034	10,978
Focus/Alternative Programs	1,483	1,597	1,470	1,232	1,317	1,430	1,432	1,587	1,642	1,663
Plus enrollment not normally within PPS facilities:										
Community Based Programs (8)	1,297	1,381	1,270	1,171	1,308	1,303	1,342	1,282	1,206	1,275
Special Education Programs (7)(8)(13)(14)(15)	2,330	2,170	462	562	525	548	539	522	500	385
Public Charter Programs (8)	122	194	346	451	571	824	1,077	1,246	1,374	1,486
Total Enrollment	54,150	52,969	48,883	47,656	47,008	46,348	46,088	46,046	46,596	46,803

Gross Floor Area (sq ft) Summary

		<u>Oldest</u>	<u>Median</u>	<u>Newest</u>
Elementary Schools	3,534,380	99	72	5
Middle Schools	919,943	98	61	47
High Schools	3,016,888	102	85	52
Focus/Alternative Schools	276,901	103	90	58
Other Facilities	<u>1,486,782</u>	100	59	33
Total Gross Floor Area (sq ft)	<u>9,234,894</u>	103	64	5

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 2009". 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 (continued)

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. Clark K-8 at Binnsmead was recently renamed Harrison Park K-8 school.

(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 2009-10, Scott and Rigler became K-8 Schools. For the 2008-09 school year, Scott and Rigler remained K-7 schools, and those students that matriculated from 7th to 8th grade attended at 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. Enrollment counts for the two schools should have been put into Portsmouth MS instead of Clarendon ES. FY 2009-10, enrollment for both schools is captured in the Portsmouth MS line in the elementary section of the report and Clarendon ES is moved to the inactive list. On July 17, 2010, Clarendon-Portsmouth was renamed Cesar Chavez. 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.

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

Footnotes (continued):

(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.

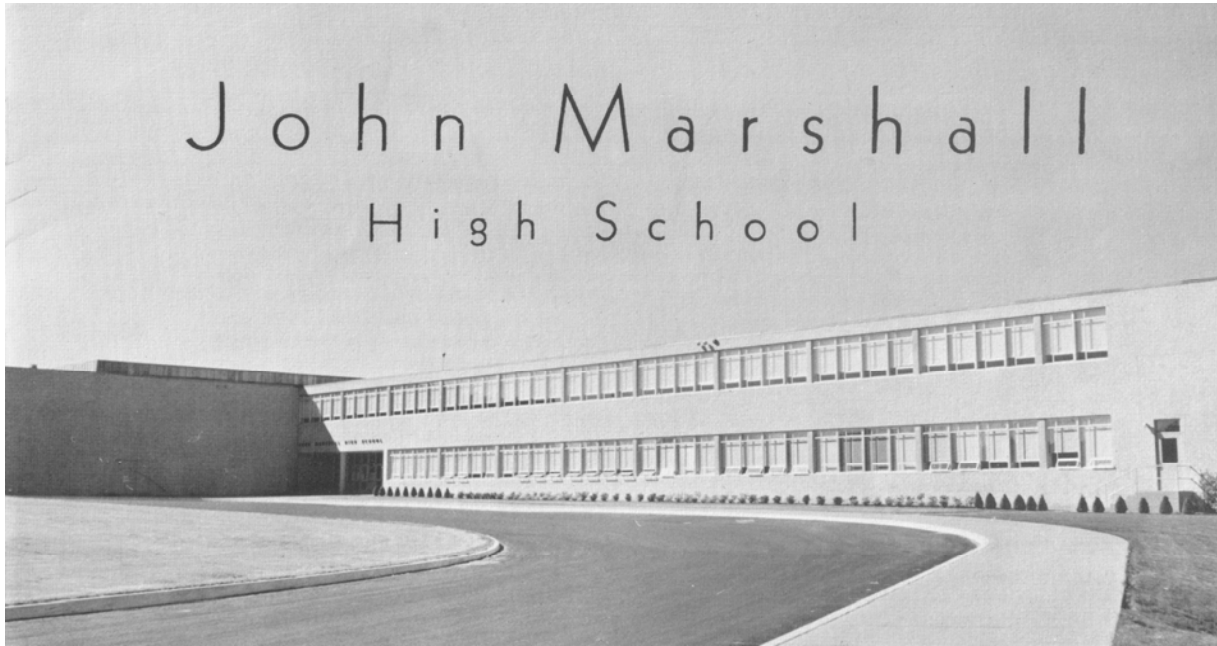
(16) Brooklyn and Meek Elementary Schools were closed at the end of the 2002-03 school year. Most students residing in the Brooklyn neighborhood area went on to attend Grout Elementary, while those residing in the Meek neighborhood area attended Vernon Elementary. Similarly, Wilcox and Youngson Elementary 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.

(17) On November 10, 2009, a portion of the Marysville K-8 school was destroyed as a result of a fire. Marysville K-8 school students and staff were moved into the Rose City Park building temporarily until the school is renovated.

(18) Clark K-8 @ Binnsmead was renamed Harrison Park K-8 school.

(19) In FY 2009-10 Gregory Heights MS, Clarendon ES and Fernwood were moved to the inactive list. The Whitaker Killingsworth site no longer has a building on it, but the District still owns the land. We have removed the square footage, but have kept the site on the inactive list. Whitaker Lakeside will be removed once there is no activity for the enrollment for the last ten years. Whitaker Lakeside will remain on the list for 0 square footage until that time.

(20) In FY 2009-10, at Jefferson High School, the Academy of Arts & Tech; Science & Tech; School of Champions; School of Pride and the Young Men's Academy programs within Jefferson High School were closed. The Young Men's Academy students returned to Jefferson.



Marshall High School Dedication Photo

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



**Talbot, Korvola
& Warwick, LLP**

Certified Public Accountants
& Consultants

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

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

December 15, 2011

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 1J, Multnomah County, Oregon (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

**INDEPENDENT AUDITOR'S REPORT
 REQUIRED BY OREGON STATE REGULATIONS (Continued)**

Page 2

COMPLIANCE (Continued)

Budget:

- One supplemental budget was not published in accordance with the requirements of Oregon Revised Statutes.
- The second public notice of the subsequent meeting of the Budget Committee to discuss the fiscal year 2012 budget and receive public comment was published in the newspaper only one day prior to the meeting.
- The fiscal year 2012 adopted budget exceeded the approved budget by more than 10% for the School Modernization Fund.
- The District did not categorize the fiscal year 2012 property tax levies as either general government, education or exempt in the resolution to impose taxes.

Expenditures exceeded appropriations as follows (in thousands):

<u>Fund/function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
Support services	\$ 171,766	\$ 173,402	\$ (1,636)
School Modernization Fund			
Debt service	\$ -	\$ 147	\$ (147)

Investments:

- The District held excess funds in the Oregon Local Government Investment Pool for a period which exceeded the statutory limits.

State School Fund factors and calculation:

- The District did not properly withdraw four students from our sample of thirty-one who were absent more than ten consecutive days.

OAR 162-10-230 INTERNAL CONTROL

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 report, dated December 15, 2011, on internal control over financial reporting and compliance and other matters based on an audit of financial statements in accordance with *Government Auditing Standards* is issued under separate cover.

* * * * *

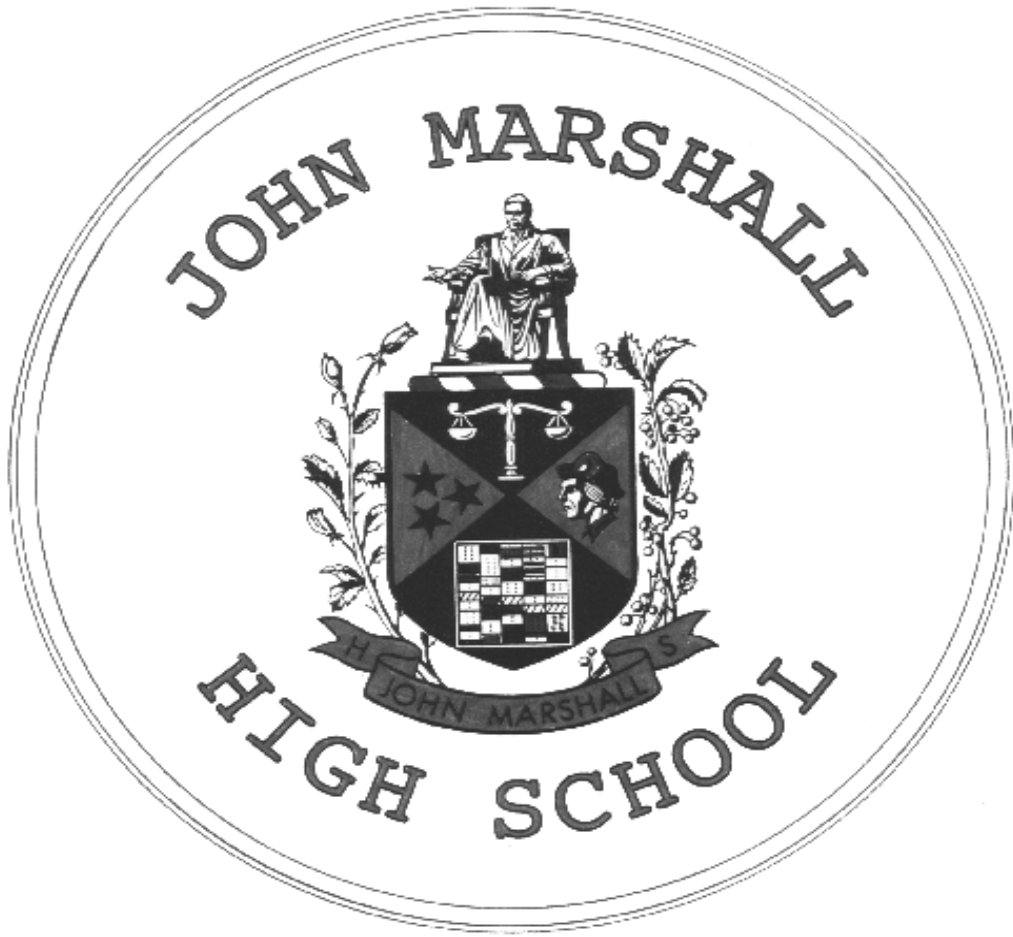
**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS (Continued)**

Page 3

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

Talbot, Kowola & Warwick LLP

Certified Public Accountants



Marshall High School Crest



Portland Public Schools Nondiscrimination Statement

Portland Public Schools recognizes the diversity and worth of all individuals and groups and their roles in society. It is the policy of the Portland Public School Board that there will be no discrimination or harassment of individuals or groups on the grounds of age, color, creed, disability, marital status, national origin, race, religion, sex or sexual orientation in any educational programs, activities or employment.

Board of Education Policy 1.80.020-P

Contact Information for Civil Rights Matters

District Title VI and Title IX: Carolyn M. Leonard	Phone: 503-916-3183
District 504: Carolyn M. Leonard	Phone: 503-916-3183
American Disabilities Act: Jeff Fish, HR Legal Counsel	Phone: 503-916-3246

2010-11 CAFR Preparation

Neil Sullivan, RSBO, CGFM, Chief Financial Officer

Carol Ann Kirby, CPA, CIA, Director, Accounting and Payroll Services (*)

Accounts Payable

Harriet Deary, CAPP, Manager
Bethany DeMello, CAPA, AP Clerk
Jeannie Langston, CAPA, AP Accountant I
Kate Massey, AP Accountant I
Angie Morton, CAPA, AP Accountant I

General Ledger

Bill Leidy, CPA, Sr. Manager
Josh McIntyre, Sr. Financial Systems Analyst
Henry Cha, GL Accountant III
Cassie Dong, GL Accountant II
Amoy Williamson, CPA, Student Body
Fund Auditor

Grant Accounting

Sharie Lewis, CPA, Assistant Director (*)
Edward Reckford, Sr. Financial Analyst
Brandi Berg, Grant Accountant III
Christie Christie, Grant Accountant III
Premila Kumar, Grant Accountant II
Chris Roe, Grant Accountant III

Payroll

Ondra Matthews, CPP, Sr. Manager
James LaCasa, Sr. Payroll Systems Analyst
Debbie Chan, FPC, Sr. Payroll Specialist
Tommy Fujii, Payroll Clerk I
Cynthia Hughart, Sr. Payroll Specialist
Shawn Martinez, Temporary Payroll Clerk
Connie Preci, Payroll Specialist
Marina Vlasenk, FPC, Sr. Payroll Specialist
Scott Vondrak, FPC, Sr. Payroll Specialist
Melinda Wilke, FPC, Sr. Payroll Specialist

Treasury / Accounts Receivable

Hank Horn, Sr. Manager
Jeanne Morgan, Sr. Financial Systems Analyst
Jill Bellone, Cashier
Kathleen Hiigel, AR Clerk
Elizabeth Mongue, AR Accountant II

(*) Carol Ann Kirby retired in September 2011 and Sharie Lewis became the Director of Accounting and Payroll Services.

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Portland, Oregon*