TKW Talbot, Korvola & Warwick LLP
Certified Public Accountants & Consultants

4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973
503.274.2849 • Fax 503.274.2853
www.tkw.com

INDEPENDENT AUDITOR'S REPORT

November 25, 2008

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, 2008, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 25, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Required Supplementary Information consisting of the budgetary comparison information for the General, Grant and PERS Stabilization Reserve Funds and Other Postemployment Benefits Schedule of Funding Progress, and the accompanying Supplementary Information consisting of combining and individual nonmajor fund financial statements and other schedules, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying Introductory and Statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By _____
Timothy R. Gillette, Partner

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

As management of the School District No.1J, Multnomah County, Oregon (Portland Public Schools or the District), we offer readers this narrative overview and analysis of the financial activities of the Portland Public Schools for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

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

Financial Highlights:

- The net assets of Portland Public Schools in the government-wide financial statements were $227.1 million. Of this amount, $177.2 million was invested in capital assets net of related debt and the remainder of $49.9 million is unrestricted.
- General Fund Revenues of $423.7 million were approximately 4% greater than anticipated. Increases came from property taxes and new local option taxes, and payments by County sources that were delayed from prior years. Reductions in the State School Fund ($7.3 million) were more than offset by additional restricted funding by the state ($9.5 million).
- The District added $15.1 million in new debt in the current year to settle custodial claims and it reduced outstanding debt by $15.2 million.
- At June 30, 2008, the General Fund had an unreserved fund balance of $49.4 million, an increase of $8.2 million from June 30, 2007.
- To comply with accounting principles generally accepted in the United States of America (GAAP) and the new reporting requirements of Governmental Accounting Standards Board (GASB) Statement 45, an actuarially determined liability of $14.4 million has been reported to reflect the District's obligation for other post retirement benefits.

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

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

The Statement of Activities of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and

charges (*business-type activities*). As is typical for a school district, Portland Public Schools has governmental activities, which include instruction, support services, enterprise and community services, non-capital facilities maintenance & replacement, interest, and fees on long-term debt. Portland Public Schools currently does not have any business-type activities.

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

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

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

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

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

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

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

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

Internal service funds are accounting devices used to accumulate and allocate costs among various internal functions. The District uses an internal service fund to account for its Self-Insurance activities. Because Portland Public Schools has no business-type functions, this service benefits governmental functions and has been included within the governmental activities in the 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 19-21 of this report.

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

Required Supplementary Information (RSI) is located directly after the notes to the basic financial statements and 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 health and welfare benefits program. This information is on pages 41-46.

The **Combining Statements** referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 48-52 of this report.

Government-Wide Financial Analysis:

Net assets. As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of Portland Public Schools, assets exceeded liabilities by $227.1 million at the close of the most recent fiscal year.

Condensed Statement of Net Assets

	Total School District Governmental Activities		Percentage Change
	2007	**2008**	**2007-2008**
Assets			
Current and other Assets	$ 167,964	$ 175,282	4.4%
Prepaid pension costs	471,759	463,507	-1.7%
Net capital assets	195,885	187,312	-4.4%
Total Assets	835,608	826,101	-1.1%
Liabilities			
Other long-term liabilities outstanding	$ 24,271	$ 31,229	28.7%
Limited tax pension bonds outstanding	476,416	468,163	-1.7%
Other liabilities	98,449	99,625	1.2%
Total Liabilities	599,136	599,017	0.0%
Net Assets			
Invested in capital assets, net of related debt	$ 180,034	$ 177,198	-1.6%
Unrestricted	56,438	49,886	-11.6%
Total Net Assets	**$ 236,472**	**$ 227,084**	-4.0%

Increased collections during the year increased cash and investments ($33.9 million) while decreasing taxes and other receivables ($26.2 million). Recognition of an obligation for retiree health care under the requirements of GASB Statement No. 45 increased liabilities by $14.4 million, while the payment and settlement of other debt reduced liabilities by $14.2 million. Other decreases in net assets were caused by planned reductions prepaid pension costs ($8.3 million), along with depreciation and other activities affecting capital assets ($8.6 million). The total effect of these changes was a reduction in Total Net assets of the District of $9.4 million.

By far the largest portion of the District's net assets (78.0%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for classrooms and supporting services for providing K-12 education. Consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed

to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, Portland Public Schools is able to report positive balances in all categories of net assets for governmental activities. During the current fiscal year the District's net assets decreased by approximately $9.4 million from 2007. The revenues and expenses shown below outline changes in net assets for the fiscal years 2007 and 2008.

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. As expected, therefore, general revenues provide 79.1% of the funding required for governmental programs. Property taxes and State School Fund combined account for 82.9% of general revenues and 65.6% of total revenues.

Changes in Net Assets	**Governmental-Wide Activities**		**% of Total**	**% Change**
	2007	**2008**	**2008**	**2007-2008**
REVENUES				
Program Revenues				
Charges for Services	$ 10,446	$ 11,383	2.2%	9.0%
Operating grants and contributions	93,578	97,862	18.7%	4.6%
Total Program Revenues	104,024	109,245	20.9%	5.0%
General Revenue				
Property and other taxes	165,573	174,995	33.4%	5.7%
State School Fund	164,182	168,438	32.2%	2.6%
Local option taxes	200	35,887	6.9%	17843.5%
Common School Fund	4,315	4,864	0.9%	12.7%
County and intermediate sources	30,008	15,511	3.0%	-48.3%
Investment earnings	7,795	7,208	1.4%	-7.5%
Other	7,959	7,260	1.4%	-8.8%
Gain on disposal of capital assets	347	39	0.0%	-88.8%
Total General Revenues	380,379	414,202	79.1%	8.9%
Total Revenues	484,403	523,447	100.0%	8.1%
EXPENSES				
Instruction	281,308	316,504	59.4%	12.5%
Support services	198,721	195,523	36.7%	-1.6%
Enterprise and community services	15,187	15,853	3.0%	4.4%
Non-capital facilities maintenance and replacement	7,633	3,141	0.6%	-58.8%
Interest on long-term debt	1,535	1,814	0.3%	18.2%
Total expenses	504,384	532,835	100.0%	5.6%
Decrease in net assets	(19,981)	(9,388)	-4.1%	-53.0%
Net assets - beginning	256,453	236,472	104.1%	-7.8%
Net assets - ending	**$ 236,472**	**$ 227,084**	**100.0%**	**-4.0%**

Total revenues for the district increased by $39.1 million over the prior year: A new local option tax increased total District revenues by $35.7 million over the prior year; while increased property and other taxes ($9.4 million) and enhanced funding from the state school fund ($4.2 million) helped replace discontinued revenues from a temporary county income tax ($14.6 million); overall increases in grants and contributions ($4.3 million) and charges for services ($1 million) were offset by losses from asset disposals and other items ($0.3 million). In spite of a sharp decline in interest rates during the year, new investment strategies to safely maximize return allowed the District to come within $0.6 million of the prior year's earnings.

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

• Food services charges for lunch, breakfast, catering, and contract services.	$ 3,424
• Tuition is charged for all-day kindergarten, evening high school, out-of-district students and summer school.	3,811
• Facilities leverage District buildings by leasing and renting classrooms, gymnasiums, swimming pools, auditoriums, and entire vacant buildings.	2,879
• Athletics charges pay-to-play fees and sells tickets to events and games.	805
• Other sales, royalties, and revenue generating events.	464
Total Charges for Services	$ 11,383

Operating grants and contributions represent 18.7% or $97.9 million of the total revenues. Included in this category are $10.4 million for federal reimbursement under the school lunch program and $8.0 million raised or donated by student body activities. Federal and state grants for designated programs totaled $72.0 million and non-federal and state grants $3.2 million and $4.3 million of other revenue.

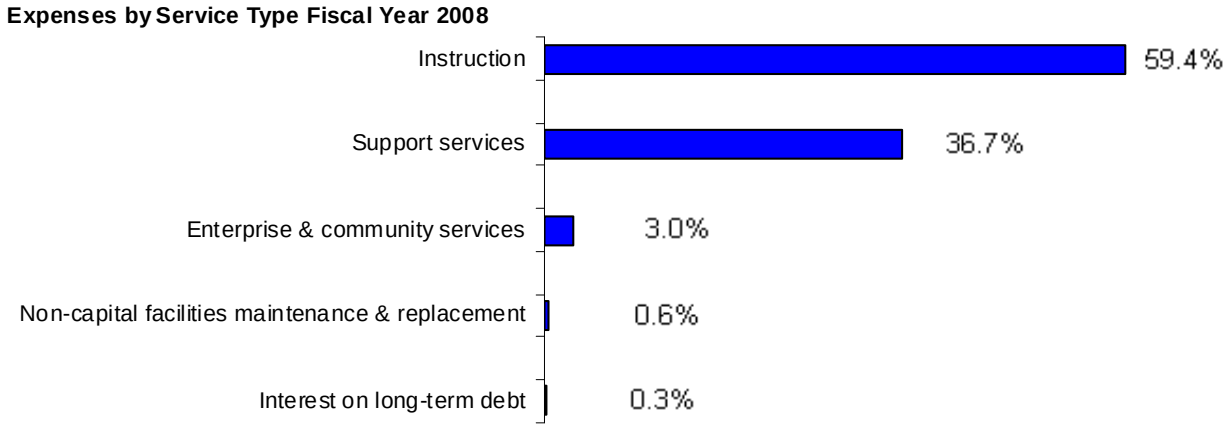
Other revenues were $7.3 million which included recovery of prior year expenditures of $0.9 million, fees charged to grants of $4.3 million, and other miscellaneous items totaling $1.9 million.

Expenses. The District's increase in total expense over the prior year was $28.4 million. A significant component of the expense increase was a new actuarially determined cost, required by GASB Statement No. 45, of $14.4 million to recognize other post employment benefits. The other major increases were personnel ($7.6 million), benefits ($3.3 million), additional textbooks ($7.7 million), fuel costs ($1.1 million) and charter school purchased services ($1.7 million) that are offset by decreases in program service related materials and services ($3.8 million), facilities and improvements ($2.0 million), and costs relating to the sale of fixed assets $1.6 million.

Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Revenue (Expense)		Percentage Change
	2007	2008	2007-08	2007	2008	2007-08
Instruction	$ 281,308	$ 316,504	12.5%	$ (225,294)	$ (244,173)	8.4%
Support services	198,721	195,523	-1.6%	(167,401)	(164,851)	-1.5%
Enterprise & community services	15,187	15,853	4.4%	1,504	(9,611)	-739.0%
Non-capital facilities maintenance & replacement	7,633	3,141	-58.8%	(7,633)	(3,141)	-58.8%
Interest on long-term debt	1,535	1,814	18.2%	(1,535)	(1,814)	18.2%
Total	**$ 504,384**	**$ 532,835**	5.6%	**$ (400,359)**	**$ (423,590)**	5.8%

Expenses related to governmental activities are presented in five broad functional categories. Costs of direct classroom instruction activities account for 59.4% of the total expenses of $532.8 million. In addition, 36.7% of costs are in support services that relate to students, instructional staff and school administration.



Financial Analysis of the District's Funds:

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

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

General Fund. The General Fund is the major operating fund of the District. While prior year operations saw a $2.0 million reduction of the unreserved fund balance, current year activities increased the General Fund by $8.2 million, leaving an ending unreserved fund balance of $49.4 million. Key factors in these revenue and expenditure components are as follows:

The State School Fund, Common School Fund and other state programs provided resources exceeding the budgeted amounts by $2.7 million. Other revenue sources that exceeded budgetary expectations this year were property and new local option taxes ($6.9 million), charges for services ($1.1 million), investment earnings ($1.4 million), deferred county and intermediate revenues ($2.1 million) and other revenues ($1.4 million). The District was able to stay under budget on its operating expenditures for instruction ($3.5 million) and support services ($0.4 million). The current budget included $15.1 million in other uses set aside for custodial claims that were paid during the year. Other financing sources, including the sale of capital assets, contributed to budgetary savings of $1.7 million.

Grant Fund. Of the $67.5 million in federal and state grants received in 2007-08, $22.0 million represents funding for Title I and other federal Title funds targeted to provide additional services to students disadvantaged by poverty, to support migrant education, innovative programs, and safe and drug-free schools. Another approximately $34.5 million was received for special education, Head Start, Striving Readers, Voluntary Public School Choice and Reading First Grants. Public and private-entity awards accounted for $5.1 million that came from Bill & Melinda Gates Foundation ($2.7 million), Nike Schools Innovation Grants ($0.7 million), City of Portland ($0.5 million) and other grantors ($1.2 million).

PERS Rate Stabilization Reserve Fund. The PERS Rate Stabilization Reserve Fund was established to achieve several objectives: (1) to help minimize large fluctuations in the PERS rate assessed on salaries and wages ultimately used for the PERS unfunded actuarial liability borrowing relative to the District's participation in the Oregon School Boards Association Pension Bond Program; (2) to provide prudent reserves to mitigate the investment risk inherent in the PERS system; and (3) to set aside and not spend all the savings generated by legislative reforms in the PERS pension plans, pending the outcome of the related Supreme Court case on the constitutionality of the changes. The $16.8 million balance at June 30, 2008, was established through transfers from the General Fund. The Supreme Court upheld most of the legislative changes and reversed others. The PERS established rate for school districts for 2005-2008 was 14.38%, whereas the District's combined pension rate for PERS was 0.00%. The contractually required health care contribution rate for Tier 1/Tier 2 retirees is 0.37%, and for OPSRP members, 0.26%. The 14.38% rate differential caused by the District's decision to borrow and create the Rate Stabilization Reserve Fund has saved an estimated $9 million in current year PERS pension costs. This has translated into additional funds that were used for direct instruction and support services.

General Fund Budgetary Highlights:

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

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

Capital Asset and Debt Administration:

Capital assets. The District's investment in capital assets includes land, building and improvements, vehicles and equipment, and construction in progress. As of June 30, 2008, the District had invested $187.3 million in capital assets, net of depreciation, as shown in the following table:

Capital Assets, net of depreciation

	Total School District Governmental Activities		Percentage Change
	2007	**2008**	**2007-2008**
Land	$ 8,756	$ 8,756	0.0%
Buildings	170,496	165,843	-2.7%
Vehicles & Equipment	14,446	11,614	-19.6%
Construction in Progress	2,187	1,099	-49.7%
Total	**$ 195,885**	**$ 187,312**	**-4.4%**

During the year 2007-08, the District's investment in capital assets decreased by $8.6 million. This is due to current depreciation of $11.6 million exceeding new additions of $3.0 million. Major capital asset events during the current fiscal year included building improvements in the areas of seismic upgrades, fire, life and safety, ADA compliance, and priority building repairs continue on a limited and emergency basis.

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

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of $500.5 million. Of this amount, $468.2 million represents limited tax pension and refunding bonds, and $32.3 million comprises debt backed by the full faith and credit of the District. The District's total debt decreased by only $0.1 million as $15.2 million in scheduled debt repayments was offset by new long-term borrowing of $15.1 million.

Outstanding Long-Term Debt

	Total School District Governmental Activities		Percentage Change
	2007	**2008**	**2007-2008**
Limited Tax pension and refunding bonds	$ 476,416	$ 468,163	-1.7%
Other long-term debt	24,271	32,375	33.4%
Total	**$ 500,687**	**$ 500,538**	**0.0%**

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 of $5,835,393,000, or $463.9 million.

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

The District participated in the Oregon School Board Association ("OSBA") sponsored pooled pension obligation bond program, in which the proceeds from bond issues were used to offset a portion of the UAL. The details of the District's borrowing are in Note 9 to the Basic Financial Statements. The benefits of the arbitrage are seen in a substantial reduction in the District's PERS employer rate. This reduction in rates should dampen the effects of future increases in the District's UAL. As long as PERS' investment returns exceed the costs of servicing the bonds, the benefits of this program will exceed the costs. The District's UAL was reduced, but was not eliminated, by these borrowing transactions. Statutes, legislation, regulations, and rules regarding PERS can change at any time. These changes may improve or reduce the benefits of participation in the bond program.

Additional information on the District's long-term debt can be found in Note 9 on page 32 of this report.

Economic Factors and Next Year's Budget:

- Planning for significant capital investment in the District's schools is in process. This is expected to result in adoption of an interim facilities plan and a long-term facilities plan. The Board will consider financing strategies for these plans that are likely to include a capital bond levy, and might include interim financing to fund work prior to passage of a levy.

- Although unemployment rates are lower than the 8.8% record high of June 2003, the Portland-Vancouver rate has risen in June 2008 to 5.3%. Furthermore, as this report is issued, economic conditions have changed markedly with the Portland-Vancouver October 2008 unemployment rate climbing to 6.4%. An extended recessionary cycle is forecasted for the region through the next biennium.

- In response to recent economic forecasts the Governor of Oregon has proposed a $4.2 million reduction in state payments to Portland Public Schools in its current 2008-09 operating cycle. The state's proposed budget for the next biennium will place the District in a position of not having adequate funding to meet its current service levels.

- The District is currently in negotiation with the Portland Association of Teachers (PAT), whose contract expired in June 2008.

  All other bargaining agreements have the following expiration dates:
  - Service Employees International Union (SEIU) – June 2010,
  - District Council of Unions (DCU) – June 2010,
  - Portland Federation of Teachers and Classified Employees (PFTCE) – June 2011 with a reopener in January 2009 of wages and benefits,
  - Amalgamated Transit Union (ATU) – June 2010.

- A three-year funding bill, known as the "Gap Tax", was enacted by the Oregon Legislature in the 2006 special session. This tax provides about $17 million annually to the District and will expire in June 2009. Since the tax was created to mitigate constitutional inequities between PPS and other Oregon school districts, the 2009 regular session of the Legislature is being asked to extend the funding beyond 2009.

Requests for Information:

This financial report is designed to provide a general overview of the Portland Public Schools' finances for all those with an interest in the District's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Accounting 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**, site shortcut: **Financial Statements**.

PPS

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Statement of Net Assets
June 30, 2008
(amounts expressed in thousands)

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 122,071
Cash and cash equivalents held by fiscal agents	1,772
Cash equivalents held in trust	578
Investments	20,523
Accounts and other receivables	14,651
Property taxes and other taxes receivable	9,397
Inventories	1,217
Prepaid pension costs	463,507
Bond issue costs, net of accumulated amortization	3,830
Noncurrent Assets:	
Note receivable - Due within one year	345
Note receivable - Due in more than one year	898
Capital Assets, net of accumulated depreciation:	
Land	8,756
Construction in progress	1,099
Buildings and capital improvements	165,843
Vehicles and equipment	11,614
Total assets	826,101
LIABILITIES	
Accounts payable	12,614
Accrued wages and benefits payable	64,009
Accrued bond interest payable	174
Unearned revenues	3,506
Other Current Liabilities:	
Claims payable- Due within one year	3,625
Bonds payable - Due within one year	15,697
Long Term Liabilities:	
Claims payable - Due in more than one year	129
Bonds payable - Due in more than one year	484,841
Other post employment benefit obligation	14,422
Total liabilities	599,017
NET ASSETS	
Invested in capital assets, net of related debt	177,198
Unrestricted	49,886
Total net assets	$ 227,084

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, 2008
(amounts expressed in thousands)

Functions/Programs	EXPENSES	PROGRAM REVENUES: Charges for Services	PROGRAM REVENUES: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:				
Instruction	$ 316,504	$ 4,151	$ 68,180	$ (244,173)
Support services	195,523	2,879	27,793	(164,851)
Enterprise and Community Services	15,853	4,353	1,889	(9,611)
Non-capital facilities maintenance & replacement	3,141	-	-	(3,141)
Interest and fees on long-term debt	1,814	-	-	(1,814)
Total governmental activities	**$ 532,835**	**$ 11,383**	**$ 97,862**	**(423,590)**

GENERAL REVENUES (UNRESTRICTED):	
Property taxes, levies for operations	174,926
Construction excise tax	69
Local option taxes	35,887
State School Fund	168,438
State Common School Fund	4,864
County and intermediate sources	15,511
Investment earnings	7,208
Other	7,260
Gain on disposal of capital assets	39
Total general revenues	**414,202**
Change in net assets	(9,388)
Net assets - beginning of year	236,472
Net assets - end of year	**$ 227,084**

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, 2008
(amounts expressed in thousands)

	General Fund	Grant Fund	PERS Rate Stabilization Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 86,367	$ 3,198	$ 16,800	$ 5,666	$ 112,031
Cash and cash equivalents held by fiscal agents	1,772	-	-	-	1,772
Cash equivalent held in trust	578	-	-	-	578
Investments	20,522	-	-	-	20,522
Accounts receivable	4,631	7,328	-	2,667	14,626
Notes receivable	1,243	-	-	-	1,243
Property taxes and other taxes receivable	9,397	-	-	-	9,397
Due from other funds	-	-	-	835	835
Inventories	706	-	-	512	1,218
Total assets	$ 125,216	$ 10,526	$ 16,800	$ 9,680	$ 162,222
LIABILITIES					
Accounts payable	$ 9,680	$ 1,775	$ -	$ 818	$ 12,273
Accrued wages and benefits	55,660	5,245	-	1,083	61,988
Due to other funds	835	-	-	-	835
Deferred revenues	9,656	3,506	-	-	13,162
Total liabilities	75,831	10,526	-	1,901	88,258
FUND BALANCES					
Unreserved, reported in:					
General Fund	49,385	-	-	-	49,385
Special revenue funds	-	-	16,800	7,710	24,510
Capital projects funds	-	-	-	69	69
Total fund balances	49,385	-	16,800	7,779	73,964
Total liabilities and fund balances	$ 125,216	$ 10,526	$ 16,800	$ 9,680	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	187,312
Long-term taxes receivable are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds.	8,413
Assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	5,936
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(500,538)
Prepaid pension costs are not reported in the governmental funds.	463,507
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.	3,830
Notes receivable are not collectable in the current period and therefore deferred revenue is recogized in the governmental funds.	1,243
Accrued compensated absences are not due and payable in the current period and therefore not reported in the governmental funds.	(1,996)
Accrued interest payable is not recognized as a liability in the government funds.	(174)
Other post employment benefit liability obligation is not reported in governmental funds.	(14,413)
Net assets of governmental activities	**$ 227,084**

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2008
(amounts expressed in thousands)

	General Fund	Grant Fund	PERS Rate Stabilization Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property and other taxes	$ 174,499	$ -	$ -	$ 69	$ 174,568
State School Fund	168,438	-	-	-	168,438
Local option taxes	35,373	-	-	-	35,373
County and intermediate sources	13,668	802	-	1,041	15,511
State Common School Fund	4,864	-	-	-	4,864
Federal and state support	9,542	62,365	-	10,528	82,435
Charges for services	4,238	-	-	7,145	11,383
Extracurricular activities	-	-	-	7,963	7,963
Investment earnings	6,898	9	-	-	6,907
Other	6,134	4,337	-	3,597	14,068
Total revenues	423,654	67,513	-	30,343	521,510
EXPENDITURES					
Current Operating:					
Instruction	247,662	37,831	-	15,678	301,171
Support services	174,310	27,792	-	1,518	203,620
Enterprise and Community Services	-	1,890	-	13,577	15,467
Non-capital facilities maintenance and replacement	2,991	-	-	150	3,141
Debt Service:					
Principal	761	-	-	6,205	6,966
Interest	226	-	-	1,320	1,546
Total expenditures	425,950	67,513	-	38,448	531,911
Excess of expenditures over revenues	(2,296)	-	-	(8,105)	(10,401)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,146	-	-	7,602	8,748
Transfers out	(7,525)	-	-	(1,223)	(8,748)
Proceeds from the sale of capital assets	1,616	-	-	-	1,616
Issuance of debt	15,090	-	-	-	15,090
Bond debt premium	130	-	-	-	130
Total other financing sources (uses)	10,457	-	-	6,379	16,836
Net change in fund balances	8,161	-	-	(1,726)	6,435
Fund balances - beginning of year	41,224	-	16,800	9,505	67,529
Fund balances - end of year	$ 49,385	$ -	$ 16,800	$ 7,779	$ 73,964

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2008
(amounts expressed in thousands)

Net change in fund balances - total governmental funds (page 17)	$	6,435
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report all capital outlay as expenditures. However, in the Statement of Activities the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the current period of $11,598 exceeded capital outlays of $3,024.		(8,573)
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.		(1,576)
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.		1,586
The Internal Service Fund is used to account for all costs incurred for claims arising from workers' compensation, general liabilities, and property and fire loses. The primary funding sources are charges to other funds. This amount is the net income for the year.		909
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the change in net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.		15,008
Governmental funds reported the prepayment of the PERS unfunded actuarial liability as an other financing use in prior years. However, in the Statement of Activities the expense is the amortization of the prepaid asset.		(8,253)
Other post employement benefits expenses are reported in the Statement of Activities but they are not reported as expenditures in the governmental funds.		(14,412)
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		(401)
Change in bond interest payable		(111)
Change in net assets of governmental activities (page 15)	$	(9,388)

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, 2008
(amounts expressed in thousands)

ASSETS	
Current Assets	
Cash and cash equivalents	$ 10,040
Accounts and other receivables	25
Total assets	10,065
LIABILITIES	
Current Liabilities	
Accounts payable	340
Accrued wages and benefits	25
Claims payable	3,625
Total current liabilities	3,990
Long-term Liabilities	
Claims payable	130
Other post employment benefit obligation	9
Total long-term liabilities	139
Total liabilities	4,129
NET ASSETS	
Unrestricted	$ 5,936

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, 2008
(amounts expressed in thousands)

OPERATING REVENUES		
Charges for services	$	4,959
Insurance recoveries		10
Total operating revenues		4,969
EXPENSES		
Salaries and benefits		270
Materials and services		435
Claims expense		3,655
Total expenses		4,360
Operating income		609
NON-OPERATING REVENUE		
Investment earnings		300
Net income		909
Net assets - beginning of year		5,027
Net assets - end of year	$	5,936

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, 2008
(amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from interfund services provided and used	$	4,959
Cash received from insurance recoveries		38
Cash payments for salaries and benefits		(252)
Cash payments for goods and services		(166)
Cash payments for claims		(3,889)
Net cash from operating activities		690
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments		6,230
Investment earnings		300
Net cash from investing activities		6,530
Net increase in cash and cash equivalents		7,220
Cash and cash equivalents at beginning of year		2,820
Cash and cash equivalents at end of year	$	10,040
RECONCILIATION OF OPERATING INCOME TO CASH FROM OPERATING ACTIVITIES		
Operating income	$	609
Adjustment to reconcile operating income to Net cash from operating activities:		
Decrease in accounts receivable		27
Increase in accounts payable and other current liabilities		269
Decrease in claims payable		(234)
Increase in accrued wages and benefits		10
Increase in net other post employment benefits obligation		9
Total adjustments		81
Net cash from operating activities	$	690

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Government-wide and fund financial statements

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

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

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

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

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following internal service fund:

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

The District reports the following non-major governmental funds:

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

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

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

During the fiscal year the District closed five funds and opened two new funds:

Funds closed

BESC/Special Obligation Debt Service Fund
General Obligation Bond Debt Service Fund
System Project Capital Project Fund
Facilities Improvement / Technology Fund
Facilities Improvement II Fund

New funds

Settlement Debt Service Fund
Construction Excise Tax Fund

B. Appropriations and Budgetary Controls

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

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

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

Capital outlay expenditures are appropriated within the instruction and supporting services levels of control. Debt service expenditures in the General Fund are also generally appropriated within the supporting services level of control, with the exception of Small Scale Energy Loans and Loans 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 five supplemental budgets during the year.

C. Encumbrances

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

D. Cash and Cash Equivalents and Investments

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

E. Property Taxes

Uncollected real and personal property taxes are reflected on the Statement of Net Assets and the Balance Sheet as receivables. Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the

property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

F. Inventories and Prepaid Items

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

G. Capital Assets

Expenditures for capital assets, which include land, buildings and site improvements, construction in progress, and vehicles and equipment are reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance by function. The District defines capital assets as assets with an initial, individual cost of more than $5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are completed. When the District determines that an asset has been impaired as defined by GASB Statement No. 42 it adjusts the asset value.

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

Asset	Years
Buildings	100
Site improvements	5 to 25
Equipment	5 to 15
Vehicles	5 to 8

H. Grant Accounting

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

I. Self-insurance

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

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

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

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

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

J. Compensated Absences

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

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

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

K. Receivables and Payables

Receivables expected to be collected within sixty days following year-end are considered measurable and available and are recognized as revenues in the fund financial statements. Other receivables, except 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.

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

L. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs as incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as expenditures.

M. Retirement Plans

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

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

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

N. Other Post Employment Benefits

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

O. Net Assets

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

P. Management Estimates

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

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, 2008 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 deposits, and savings account deposits as authorized by Oregon statutes.

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

Oregon Local Government Investment Pool	$	42,629
Demand accounts		79,437
Petty cash		5
Total cash and cash equivalents		122,071
US Government agency securities		14,608
Commercial paper		5,915
Total investments		20,523
Total cash, cash equivalents and investments	$	142,594

A. Investments

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

Investments in the Oregon Local Government Investment Pool (LGIP) are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn. The LGIP does not report all investments at fair value in accordance with the provisions of GASB Statement No. 31. The LGIP is required by Oregon Revised Statutes (ORS) to compute the fair value of all investments maturing more than 270 days from the date the computation is made. If the fair value totals more than one percent of the balance of the LGIP in terms of unrealized gain or loss, the amount is required to be distributed to the pool participants. Fifty percent of the LGIP portfolio must mature within 93 days. Up to 25% of the LGIP portfolio may mature in over one year and no investment may mature in over three years. At June 30, 2008, the District's share of the amount of unrealized gain reported by the LGIP, in accordance with ORS, was considered immaterial.

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

Included within governmental and agency obligations is $8,755 held by a financial institution in conjunction with the District lease of a school facility (See Note 14).

The Oregon Local Government Investment Pool is unrated. Other investments held at June 30, 2008 are categorized by rating as follows:

	Ratings			
	Moody's	S&P		Weighted Average Maturity (years)
	Aaa	P1	Total	
Government and agency obligations	$ 14,608	$ -	$ 14,608	0.320
Corporate commercial paper	-	5,915	5,915	0.452
	$ 14,608	$ 5,915	$ 20,523	

Interest rate risk

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

Credit risk

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

Concentration of credit risk-investments

In accordance with GASB 40, the District is required to report all individual non-federal investments, which exceed 5% of total invested funds. As of June 30, 2008 the District held the following:

	Value June 30, 2008	Percentage
J P Morgan Commercial Paper	$ 5,915	9.4%

Custodial risk- deposits

Oregon laws require governmental deposits made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager, which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the District. This does not constitute full collateral of deposits, but meets Oregon legal requirements. At June 30, 2008, the carrying amount of the District's balance was $79,437 and the bank balance was $81,851. Of the bank balance, $400 was covered by federal depository insurance, certificates of collateral were available up to $34,027, and $47,424 was uninsured and uncollateralized.

Custodial credit risk-investments

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

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the State that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

NOTE 5 – RECEIVABLES

Receivables as of year-end are summarized as follows:

	Fund Type			
Receivables:	General Fund	Grant Fund	Other Governmental Funds	Total
Taxes	$ 9,397	$ -	$ -	$ 9,397
Interest	19	-	-	19
Accounts	4,465	-	2,692	7,157
Federal, state and local grants	-	7,328	-	7,328
Advances to employees	147	-	-	147
Accounts and other receivables	4,631	7,328	2,692	14,651
Total receivables	$ 14,028	$ 7,328	$ 2,692	$ 24,048

NOTE 6 – NOTE RECEIVABLE

The District sold the broadcast license and certain insignificant capital assets of the public broadcasting FM station operated by the District to a not-for-profit foundation that will continue to operate the station. The terms of the sale included a down payment of $750 and principal payments as detailed below. Interest accrued at 5% until December 15, 2007, and increased to 7% for the remainder of the contract. During the year the District received payment of $1,745. The District considers the receivable to be collectable, and, accordingly, no allowance for doubtful accounts is provided.

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

	Payments	Interest	Principal reduction
2009	$ 375	$ 30	$ 345
2010	375	45	330
2011	607	39	568
Total	$ 1,357	$ 114	$ 1,243

NOTE 7 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2008, follows:

Description	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated:				
Land	$ 8,756	$ -	$ -	$ 8,756
Construction in progress	2,187	2,306	(3,394)	1,099
Total capital assets not being depreciated	10,943	2,306	(3,394)	9,855
Capital assets being depreciated:				
Buildings and site improvements	308,959	3,708	-	312,667
Vehicles and equipment	34,846	405	-	35,251
Total capital assets being depreciated	343,805	4,113	-	347,918
Total general capital assets	354,748	6,419	(3,394)	357,773
Less Accumulated depreciation:				
Buildings and site improvements	(138,463)	(8,361)	-	(146,824)
Vehicles and equipment	(20,400)	(3,237)	-	(23,637)
Total accumulated depreciation	(158,863)	(11,598)	-	(170,461)
Total governmental assets	$195,885	$ (5,179)	$ (3,394)	$187,312

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

Instruction	$ 8,224
Supporting services	3,252
Food services	122
	$ 11,598

As of June 30, 2008 the District had three schools that were closed and idle: Clarendon, Rose City Park and Smith. The carrying value of these schools is $3.9 million and is included in the capital assets summary above.

NOTE 8 – INTERFUND BALANCES

Interfund balances primarily represent cash invested by the General Fund on behalf of Other Governmental Funds. The composition of interfund balances as of June 30, 2008, is as follows:

	Due from	Due to
General Fund	$ -	$ 835
Other Governmental funds	835	-
	$ 835	$ 835

NOTE 9 - BONDED AND OTHER LONG-TERM DEBT

Changes in long-term debt of the District during fiscal year 2008 were as follows:

	Original Amount	Balance July 1, 2007	Additions	Repay-ments	Balance June 30, 2008
Limited Tax Pension Bonds:					
Series 2002	$210,104	$205,045	$ -	$ (2,348)	$202,697
Series 2003	281,170	271,371	-	(5,905)	265,466
Pension Debt (See Note 11)	491,274	476,416	-	(8,253)	468,163
Limited Tax General Obligation Refunding Bonds, Series, 2004	11,900	8,420	-	(1,250)	7,170
Certificates of Participation (COP), Series 1999	43,295	10,130	-	(4,955)	5,175
Small Scale Energy Loan Programs	5,615	3,596	-	(734)	2,862
Notes Payable	2,125	2,125	-	(47)	2,078
Full Faith and Credit Bonds, Series 2007A and 2007B	15,090	-	15,090	-	15,090
Other debt	78,025	24,271	15,090	(6,986)	32,375
Total	$569,299	$500,687	$ 15,090	$ (15,239)	$500,538

Limited Tax Pension Bonds

In October 2002 Portland Public Schools participated as one of forty-one Oregon school districts and education service districts in issuing limited tax pension bonds. The proceeds were used to finance a portion of the estimated unfunded actuarial liability of each participating school district with the Oregon Public Employees Retirement System ("Oregon PERS"). The Oregon School Boards Association ("OSBA") sponsored this pooled limited tax pension bond program. The OSBA does not have a financial obligation in connection with the bonds issued under the program. Except for the payment of its pension bond payments and additional charges when due, each participating school district has no obligation or liability to any other participating school district's pension bonds or liabilities to Oregon PERS. In April 2003, OSBA sponsored another pooled limited tax pension bond program with thirty school districts and education service districts. The District recorded the proceeds of the debt to Oregon PERS as prepaid pension costs and amortizes it as a pension expense over the life of the bonds. Payment of yearly principal and interest is recorded as an expenditure in the financial statements as instruction and support services. The District anticipates the total costs of financing the District's actuarial obligation in this manner will result in a significant savings to the District when compared to paying for such costs as additional contribution rates to Oregon PERS.

The District issued $210,104 Limited Tax Pension Bonds, Series 2002 (Federally Taxable), of which $53,524 are Series 2002A (deferred interest bonds) and $156,580 are Series 2002B (current interest bonds). The 2002 series Limited Tax Pensions Bonds were issued on October 31, 2002, and are payable annually through June 2028. Interest on the deferred interest bonds is accreted semiannually at yields ranging from 2.06% to 6.10%. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.48% to 5.55%. The Series 2002A Bonds are not subject to optional prepayment prior to maturity. The Series 2002B Bonds maturing June 30, 2021, shall be subject to prepayment from pension prepayments on or after June 30, 2007, and those due June 30, 2028 are subject to mandatory prepayment prior to its stated maturity, in whole or part, on any June 30 on or after June 30, 2024.

The District issued $281,170 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 1.50% to 6.27%. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.45% to 5.68%. The bonds are federally taxable and are not subject to optional prepayment prior to their stated maturities.

Other Long Term Debt

In 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 5.272% to 5.360%. The Bonds are not subject to redemption prior to their stated maturities.

In fiscal year 2007 the District borrowed $2,125 from Key Bank to finance the demolition of the Whitaker Adams building and the restoration of the land. The loan payments are payable semi-annually on January 15 and July 15 commencing July 15, 2007, and ending January 15, 2011. Interest is payable semi-annually at rate of 4.02%. The District also has a standby Letter of Credit with Key Bank in the amount of $1,856 that is used for self-insurance certification pursuant to Oregon Administrative Rule 436-050-0180(3).

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 $11.9 million. The 2004 series refunding bonds are payable annually through June 15, 2013. Interest is payable semi-annually at rates ranging from 2.190% to 5.518%. The bonds are federally taxable and are not subject to redemption prior to their stated maturities.

The 1999 series Certificates of Participation (COP) of $43.295 million are payable annually through June 2009. Interest is payable semi-annually at rates ranging from 3.29% to 5.25%. The certificates of participation are not subject to redemption prior to their stated maturities.

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

In 2000, the District sold Qualified Zone Academy Bonds, Series 2000, with a face amount of $6,052, 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, the loan from Key Bank and the 2007 Full Faith and Credit Bonds. Other long-term debt payments are made from the debt service funds.

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

Fiscal Year	Limited Tax Pension and Refunding Bonds	Certificates of Participation	Notes Payable	Full Faith and Credit Bonds	SELP Loans	Total
Principal:						
2009	$ 9,712	$ 5,175	$ 42	$ -	$ 768	$ 15,697
2010	10,991	-	44	3,005	723	14,763
2011	11,059	-	1,992	3,435	694	17,180
2012	12,334	-	-	3,570	351	16,255
2013	12,604	-	-	3,705	146	16,455
2014-2018	58,862	-	-	1,375	179	60,416
2019-2023	94,667	-	-	-	-	94,667
2024-2028	265,105	-	-	-	-	265,105
Principal Total	475,334	5,175	2,078	15,090	2,861	500,538
Interest:						
2009	20,429	272	83	664	114	21,562
2010	21,550	-	81	664	80	22,375
2011	22,421	-	80	544	50	23,095
2012	24,006	-	-	407	26	24,439
2013	25,271	-	-	269	13	25,553
2014-2018	154,265	-	-	74	13	154,352
2019-2023	178,923	-	-	-	-	178,923
2024-2028	43,740	-	-	-	-	43,740
Interest Total	490,605	272	244	2,622	296	494,039
Total Debt Service	$ 965,939	$ 5,447	$ 2,322	$ 17,712	$ 3,157	$ 994,577

NOTE 10 – INTERFUND TRANSFERS

The District made transfers from the General Fund of $7.5 million to Debt Service Funds to fund bond payments. The General Obligation Bond Debt Service Fund was closed and transferred $1.1 million to the General Fund for operations.

The composition of interfund transfers as of June 30, 2008, is as follows:

	Transfers in	Transfers out
General Fund	$ 1,146	$ 7,525
Non-major governmental funds	7,602	1,223
Total All Funds	$ 8,748	$ 8,748

NOTE 11- PENSION PLANS

A. Oregon Public Employees Retirement System (Oregon PERS)

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

age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all Oregon PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. Oregon PERS members retain their existing Oregon PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's Oregon PERS account.

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

Funding Policy and Annual Pension Cost. Members of Oregon PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The District is required to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan.

In order to finance a portion of its unfunded actuarial PERS liability, the District issued limited tax pension bonds in 2002-03 and placed the proceeds into a PERS side account (see Note 9). The District's contributions to Oregon PERS are equal to the actuarially determined required contribution, but because funding in the PERS side account has been sufficient to provide pension rate relief, there have been no contractually required pension contributions for the years 2006, 2007 and 2008. There are however contractually required PERS contributions for retiree healthcare (see Note 12B).

For the year ended June 30, 2008, the District's annual debt service for the limited tax pension bonds included $8.3 million of principal, and $19.3 million of interest. Total debt service payments for the years 2006, 2007 and 2008 were $24.6 million, $25.4 million and $27.6 million.

B. Early Retirement Benefits

***Plan Description*.** The District provides a single-employer defined benefit early retirement program for its certificated employees that were established under separate collective bargaining agreements with certificated employees. Certificated employees who are at least 55 years of age with 15 consecutive years of service with the District or at any age with 30 years of service and who retire before age 62 are eligible for the early retirement benefits. Eligible employees are entitled to a monthly benefit of $425 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 retirement. During fiscal year 2008, the expenses/expenditures of approximately $4.0 million were recognized.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

A. District Plan

***Plan Description*.** The District provides a single-employer defined benefit post retirement benefits program for employees who have retired from the District with a minimum of fifteen consecutive years of service or with completion of 30 years of service. Covered employees under the plan are eligible to

receive District-paid benefits for up to 60 months or until reaching the age 65, whichever comes first. The District also pays for one-half of the dependent benefit costs during the benefit period. The program was established under separate collective bargaining agreements with certificated and classified employees and by precedent for all other District employees**.**

***Funding Policy*.** The District pays for the benefits. The contributions are financed on a pay-as-you-go basis. During fiscal year 2008 the District recognized, on a budgetary basis, expenditures of approximately $4.0 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 following table shows the components of the District's annual OPEB cost for the year ending June 30, 2008, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC) and annual OPEB cost (expense)	$	18,439
Contributions made		(4,017)
Increase in net OPEB obligation		14,422
Net OPEB obligation - beginning of year		-
Net OPEB obligation - end of year	$	14,422

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008 are:

Fiscal year	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
2008	$ 18,439	21.8%	$ 14,422

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.

For the District's initial valuation the Entry Age Normal Method was the valuation method 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 amortization period used for the unfunded Actuarial Accrued Liability (AAL) was 30 years. 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

Funded Status and Funding Progress: As of July 1, 2007 the actuarial accrued liability for benefits was $185.1 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $185.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $224.4 million for fiscal year 2007 and the ratio of the UAAL to the covered payroll was 82.5%. Using a 30-year amortization period, the Annual Required Contribution (ARC) for 2007 has been actuarially determined to be $18.4 million, representing $5.1 million for District contributions and $13.3 million for the implicit subsidy.

B. Retirement Health Insurance Account

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

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

Participating school districts are contractually required to contribute to RHIA at a rate assessed each year by OPERS, and the District currently contributes 0.37% of annual covered OPERF payroll and 0.26% of OPSRP payroll. The OPERS Board of Trustees sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing 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, 2006, 2007 and 2008 were $1,955, $0, and $1,005, which equaled the required contributions each year.

NOTE 13 - RISK MANAGEMENT

The Internal Service (Self-Insurance) Fund charges other funds for the costs incurred for workers' compensation claims, general liability claims, and property and fire loss claims. Charges to other funds by

the Self-Insurance Fund are recognized as revenues in the Self-Insurance Fund and as expenditures/expenses in the fund incurring the charges.

The Self-Insurance Fund recognized approximately $5.0 million of revenues from other governmental funds for the year ended June 30, 2008.

Approximately $3.6 million of the claims payable total are considered current liabilities and the balance, long-term liabilities. Changes in the balances of claims liabilities during the years ended June 30, 2006, through June 30, 2008, were as follows:

Fiscal year	Beginning balance	New claims	Payments on claims	Ending balance
2006	$ 4,870	$ 4,129	$ 3,309	$ 5,690
2007	5,690	2,028	3,730	3,988
2008	3,988	3,655	3,889	3,754

NOTE 14-COMMITMENTS AND CONTINGENCIES

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

Contracts. Estimated future District service commitments in excess of $1 million are: Laidlaw Transit, Inc. for student transportation $8.8 million; CDW Government, Inc. for computers and peripherals $1.6 million; Tek Systems, Inc. for temporary staffing $1.8 million; Trillium Charter School for charter renewal $1.5 million; Ferrelgas, Inc. for propane $1.0 million; and, Ikon Office Solutions for copier services and leases $1.2 million.

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

- To lease the school for thirty years through October 20, 2035. The lease payments will be $42 per month from October 2007 through October 2014. These lease payments are lower than they would be otherwise, as long as the District holds $8.8 million in an investment account at a designated financial institution. The lease contains an option provision for the District to buy the building in June 2012 for $8.8 million. Should the District not elect to purchase the building at that time, lease payments will increase to $72 per month for the remaining lease term.
- To abide by the terms of a Joint Use Agreement with the Portland Parks Bureau and the Boys and Girls Club.
- To participate in a Shared Use Agreement with the Boys and Girls Club for the portion of the school that is designated "shared space," which includes the cafeteria, computer lab, music, and art rooms.

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

NOTE 15 – RELATED ORGANIZATION

The District includes seven charter schools that are legally separate, tax-exempt organizations. The most recent data available (from fiscal 2006-07) indicates charter school total students were 1,077 (representing 2.3% of the District's total enrollment); and that charter school net assets were $912 (representing 0.39% of District net assets). Because of their size relative to the District the charter schools do not fall under the component unit reporting requirements set forth by GASB Statement No. 39.

REQUIRED SUPPLEMENTARY INFORMATION

A Schedule of Funding Progress for the District's Other Post Employment Benefit Plan is included in the Required Supplementary Information.

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

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Required Supplementary Information
Other Postemployment Benefits
Schedule of Funding Progress
June 30, 2008
(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%
07/01/2007	$ -	$ 185,066	$ 185,066	0%	$ 224,379	82.5%

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

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, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final	Amounts	Positive/ (Negative)
REVENUES				
Property and other taxes	$ 169,966	$ 169,966	$ 174,499	$ 4,533
State School Fund	175,748	175,748	168,438	(7,310)
Local option taxes	33,014	33,014	35,373	2,359
County and intermediate sources	9,638	11,638	13,668	2,030
Restricted state grants	-	-	9,542	9,542
State Common School Fund	4,390	4,390	4,864	474
Charges for services	3,135	3,135	4,238	1,103
Investment earnings	5,500	5,500	6,898	1,398
Other	4,701	4,701	6,134	1,433
Total revenues	406,092	408,092	423,654	15,562
EXPENDITURES				
Current operating:				
Instruction:				
Regular programs:				
Salaries and benefits	164,535	164,157	163,143	1,014
Materials and services	7,937	17,264	15,029	2,235
Total regular programs	172,472	181,421	178,172	3,249
Special programs:				
Salaries and benefits	49,207	50,419	51,815	(1,396)
Materials and services	18,332	19,410	17,675	1,735
Total special programs	67,539	69,829	69,490	339
Total instruction	**240,011**	**251,250**	**247,662**	**3,588**
Support services:				
Students:				
Salaries and benefits	30,419	29,274	29,299	(25)
Materials and services	1,702	1,492	1,121	371
Total students	32,121	30,766	30,420	346
Instructional staff:				
Salaries and benefits	8,649	8,428	8,260	168
Materials and services	6,716	1,517	939	578
Total instructional staff	15,365	9,945	9,199	746
General administration:				
Salaries and benefits	2,814	11,064	10,716	348
Materials and services	1,843	2,102	1,494	608
Total general administration	4,657	13,166	12,210	956
School administration:				
Salaries and benefits	28,949	29,738	29,769	(31)
Materials and services	930	1,001	591	410
Total school administration	29,879	30,739	30,360	379

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, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final	Amounts	Positive/ (Negative)
Support services (continued):				
Business:				
Salaries and benefits	$ 32,016	$ 32,614	$ 33,331	$ (717)
Materials and services	31,246	38,822	40,145	(1,323)
Total business	63,262	71,436	73,476	(2,040)
Central:				
Salaries and benefits	12,219	12,626	11,170	1,456
Materials and services	5,445	5,973	7,475	(1,502)
Total Central Services	17,664	18,599	18,645	(46)
Total Support Services	**162,948**	**174,651**	**174,310**	**341**
Facilities acquisition & construction:				
Salaries and benefits	-	-	96	(96)
Materials and services	3,000	3,000	2,895	105
Total facilities acquisition & construction	**3,000**	**3,000**	**2,991**	**9**
Other expenditures:				
Debt Service				
Principal	734	734	761	(27)
Interest	273	273	226	47
Total debt service	**1,007**	**1,007**	**987**	**20**
Total current expenditures	406,966	429,908	425,950	3,958
Operating contingency	**24,583**	**28,371**	**-**	**28,371**
Total expenditures	431,549	458,279	425,950	32,329
Excess of revenues over (under) expenditures	(25,457)	(50,187)	(2,296)	47,891
OTHER FINANCING SOURCES (USES)				
Transfers in	1,300	1,300	1,146	(154)
Transfers out	**(7,943)**	**(7,680)**	**(7,525)**	**155**
Proceeds from the sale of capital assets	100	100	1,616	1,516
Issuance of debt	-	15,079	15,090	11
Bond debt premium	-	-	130	130
Total other financing sources and (uses)	(6,543)	8,799	10,457	1,658
Net change in fund balance	(32,000)	(41,388)	8,161	49,549
Fund balance - beginning of year	32,000	41,388	41,224	(164)
Fund balance - end of year	$ -	$ -	$ 49,385	$ 49,385

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, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final	Amounts	Positive/ (Negative)
REVENUES				
County and intermediate sources	$ 1,122	$ 1,122	$ 802	$ (320)
Federal and state support	71,422	71,422	62,365	(9,057)
Investment earnings	-	-	9	9
Other	7,237	7,237	4,337	(2,900)
Total revenues	**79,781**	**79,781**	**67,513**	**(12,268)**
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	17,891	17,891	16,803	1,088
Materials and services	3,385	3,385	2,392	993
Total regular programs	21,276	21,276	19,195	2,081
Special programs:				
Salaries and benefits	15,390	15,390	13,667	1,723
Materials and services	6,323	6,323	4,517	1,806
Total special programs	21,713	21,713	18,184	3,529
Summer school programs:				
Salaries and benefits	458	458	293	165
Materials and services	240	240	159	81
Total summer school programs	698	698	452	246
Total instruction	**43,687**	**43,687**	**37,831**	**5,856**
Support Services:				
Students:				
Salaries and benefits	6,923	6,923	7,314	(391)
Materials and services	2,845	2,845	1,885	960
Total students	9,768	9,768	9,199	569
Instructional staff:				
Salaries and benefits	11,643	11,643	9,319	2,324
Materials and services	5,186	5,186	4,956	230
Total instructional staff	16,829	16,829	14,275	2,554
General administration:				
Salaries and benefits	20	20	-	20
Materials and services	55	55	14	41
Total school administration	75	75	14	61
School administration:				
Salaries and benefits	1,640	1,640	1,424	216
Materials and services	766	766	804	(38)
Total school administration	2,406	2,406	2,228	178
Business:				
Salaries and benefits	79	79	63	16
Materials and services	8	8	14	(6)
Total business	87	87	77	10

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, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final	Amounts	Positive/ (Negative)
Support Services (continued):				
Central:				
Salaries and benefits	$ 676	$ 676	$ 507	$ 169
Materials and services	4,694	3,694	1,492	2,202
Total central	5,370	4,370	1,999	2,371
Total support services	**34,535**	**33,535**	**27,792**	**5,743**
Enterprise and Community Services:				
Food Services:				
Materials and services	797	797	535	262
Total food services	797	797	535	262
Community Services:				
Salaries and benefits	112	1,112	1,014	98
Materials and services	650	650	341	309
Total community services	762	1,762	1,355	407
Total enterprise and community services	**1,559**	**2,559**	**1,890**	**669**
Total current expenditures	79,781	79,781	67,513	12,268
Excess of revenues over expenditures and	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
PERS Rate Stabilization Reserve Fund
Schedule of Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2008
(amounts expressed in thousands)

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

Special Revenue Funds

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

Student Body Activity

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

Cafeteria

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

BESC Cafeteria

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

Special Revenue

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

Debt Service Funds

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

System Project Debt Service

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

Bond Sinking

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

General Obligation Bond Debt Service

Accounts for debt service payments of the 1995 series general obligation bonds. The fund closed July 1, 2007.

Settlement Debt Service

Accounts for the 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.

Capital Projects Funds

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

Construction Excise Tax Fund

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Governmental Funds
Combining Balance Sheet by Fund Types
June 30, 2008
(amounts expressed in thousands)

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total
ASSETS			
Cash and cash equivalents	$ 5,597	$ 69	$ 5,666
Accounts and other receivables	2,667	-	2,667
Due from other funds	835	-	835
Inventories	512	-	512
Total assets	$ 9,611	$ 69	$ 9,680
LIABILITIES			
Accounts payable	$ 818	$ -	$ 818
Accrued wages and benefits	1,083	-	1,083
Total liabilities	1,901	-	1,901
FUND BALANCES			
Unreserved	7,710	69	7,779
Total liabilities and fund balances	$ 9,611	$ 69	$ 9,680

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2008
(amounts expressed in thousands)

	Student Body Activity Fund	Cafeteria Fund	BESC Cafeteria Fund	Special Revenue Fund	Total
ASSETS					
Cash and cash equivalents	$ 2,634	$ 620	$ 7	$ 2,336	$ 5,597
Accounts and other receivables	62	359	1	2,245	2,667
Due from other funds	835	-	-	-	835
Inventories	-	503	9	-	512
Total assets	$ 3,531	$ 1,482	$ 17	$ 4,581	$ 9,611
LIABILITIES					
Accounts payable	$ 279	$ 283	$ 8	$ 248	$ 818
Accrued wages and benefits	-	156	6	921	1,083
Total liabilities	279	439	14	1,169	1,901
FUND BALANCES					
Unreserved	3,252	1,043	3	3,412	7,710
Total liabilities and fund balances	$ 3,531	$ 1,482	$ 17	$ 4,581	$ 9,611

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, 2008
(amounts expressed in thousands)

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total
REVENUES				
Federal and state support	$ 10,528	$ -	$ -	$ 10,528
County and intermediate sources	1,041	-	-	1,041
Charges for services	7,145	-	-	7,145
Extracurricular activities	7,963	-	-	7,963
Property and other taxes	-	-	69	69
Other	3,597	-	-	3,597
Total revenues	30,274	-	69	30,343
EXPENDITURES				
Current Operating:				
Instruction				
Regular programs	13,688	-	-	13,688
Special programs	1,721	-	-	1,721
Summer school programs	269	-	-	269
Total instruction	15,678	-	-	15,678
Support services:				
Students	382	-	-	382
Instructional staff	358	-	-	358
General administration	29	-	-	29
School administration	291	-	-	291
Business	258	-	-	258
Central	200	-	-	200
Total suport services	1,518	-	-	1,518
Enterprise and community services:				
Food services	13,544	-	-	13,544
Community services	33	-	-	33
Total enterprise and community services	13,577	-	-	13,577
Facilities acquisition and construction	150	-	-	150
Debt Service:				
Principal	-	6,205	-	6,205
Interest and fiscal charges	-	1,320	-	1,320
Total debt service	-	7,525	-	7,525
Total current expenditures	30,923	7,525	-	38,448
Excess of revenues over (under) expenditures	(649)	(7,525)	69	(8,105)
OTHER FINANCING SOURCES (USES)				
Transfers in	77	7,525	-	7,602
Transfers out	(77)	(1,146)	-	(1,223)
Total other financing sources (uses)	-	6,379	-	6,379
Net change in fund balances	(649)	(1,146)	69	(1,726)
Fund balances - beginning of year	8,359	1,146	-	9,505
Fund balances - end of year	$ 7,710	$ -	$ 69	$ 7,779

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
For the year ended June 30, 2008
(amounts expressed in thousands)

	Student Body Activity Fund	Cafeteria Fund	BESC Cafeteria Fund	Special Revenue Fund	Total
REVENUES					
Federal and state support	$ -	$ 10,393	$ -	$ 135	$ 10,528
County and Intermediate sources	-	-	-	1,041	1,041
Charges for services	-	3,147	277	3,721	7,145
Extracurricular activities	7,963	-	-	-	7,963
Other	-	17	-	3,580	3,597
Total revenues	7,963	13,557	277	8,477	30,274
EXPENDITURES					
Current operating:					
Instruction:					
Regular programs	8,135	-	-	5,553	13,688
Special programs	-	-	-	1,721	1,721
Summer school programs	-	-	-	269	269
Total instruction	8,135	-	-	7,543	15,678
Support services:					
Students	-	-	-	382	382
Instructional staff	-	-	-	358	358
General administration	-	-	-	29	29
School administration	-	-	-	291	291
Business	-	-	-	258	258
Central	-	-	-	200	200
Total suport services	-	-	-	1,518	1,518
Enterprise and community services:					
Food services	-	13,233	296	15	13,544
Community services	-	-	-	33	33
Total enterprise and Community Service	-	13,233	296	48	13,577
Facilities acquisition & construction	-	-	-	150	150
Total current expenditures	8,135	13,233	296	9,259	30,923
Excess of revenues over (under) expenditures	(172)	324	(19)	(782)	(649)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	77	-	77
Transfers out	-	(77)	-	-	(77)
Total other financing sources (uses)	-	(77)	77	-	-
Net change in fund balances	(172)	247	58	(782)	(649)
Fund balances (deficit) - beginning of year	3,424	796	(55)	4,194	8,359
Fund balances - end of year	$ 3,252	$ 1,043	$ 3	$ 3,412	$ 7,710

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, 2008
(amounts expressed in thousands)

	System Project Debt Service Fund	Bond Sinking Fund	General Obligation Bond Debt Service Fund	Settlement Debt Service Fund	Total
EXPENDITURES					
Debt Service:					
Principal	$ 4,955	$ 1,250	$ -	$ -	$ 6,205
Interest and fiscal charges	490	419	-	411	1,320
Total expenditures	5,445	1,669	-	411	7,525
OTHER FINANCING SOURCES (USES)					
Transfers in	5,445	1,669	-	411	7,525
Transfers out	-	-	(1,146)	-	(1,146)
Total other financing sources (uses)	5,445	1,669	(1,146)	411	6,379
Net change in fund balances	-	-	(1,146)	-	(1,146)
Fund balances - beginning of year	-	-	1,146	-	1,146
Fund balances - end of year	$ -	$ -	$ -	$ -	$ -

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, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget Positive/
	Original	Final	Amounts	(Negative)
REVENUES				
Extracurricular activities	$ 7,800	$ 7,800	$ 7,963	$ 163
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs				
Materials and services	8,300	8,300	8,135	165
Total expenditures	**8,300**	**8,300**	**8,135**	**165**
Excess of expenditures over revenues	(500)	(500)	(172)	328
OTHER FINANCING SOURCE				
Transfers in	150	150	-	(150)
Net change in fund balance	(350)	(350)	(172)	178
Fund balance - beginning of year	2,650	2,650	3,424	774
Fund balance - end of year	$ 2,300	$ 2,300	$ 3,252	$ 952

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, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final	Amounts	Positive/ (Negative)
REVENUES				
Charges for services	$ 3,547	$ 3,547	$ 3,147	$ (400)
Federal and state support	10,648	10,648	10,393	(255)
Other	20	20	17	(3)
Total revenues	14,215	14,215	13,557	(658)
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	6,716	6,716	6,056	660
Materials and services	7,926	7,926	7,177	749
Total expenditures	**14,642**	**14,642**	**13,233**	**1,409**
Excess (deficiency), revenues over expenditures	(427)	(427)	324	751
OTHER FINANCING SOURCES				
Transfers in	4	4	-	4
Transfers out	**(77)**	**(77)**	**(77)**	**-**
Total other financing sources	(73)	(73)	(77)	4
Net change in fund balance	(500)	(500)	247	747
Fund balance - beginning of year	500	500	796	296
Fund balance - end of year	$ -	$ -	$ 1,043	$ 1,043

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
BESC Cafeteria Fund
Budgeted As: Blanchard Education Service Center Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget Positive/
	Original	Final	Amounts	(Negative)
REVENUES				
Charges for services	$ 340	$ 340	$ 277	$ (63)
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	191	191	189	2
Materials and services	156	156	107	49
Total expenditures	**347**	**347**	**296**	**51**
Excess of expenditures over revenues	(7)	(7)	(19)	(12)
OTHER FINANCING SOURCES				
Transfers in	77	77	77	-
Net change in fund balance	70	70	58	(12)
Fund balance (deficit) - beginning of year	(70)	(70)	(55)	15
Fund balance - end of year	$ -	$ -	$ 3	$ 3

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final	Amounts	Positive/ (Negative)
REVENUES				
County and Intermediate sources	$ 2,517	$ 2,517	$ 1,041	$ (1,476)
Federal and state support	40	40	135	95
Charges for services	4,031	4,031	3,721	(310)
Other	5,221	5,221	3,580	(1,641)
Total revenues	11,809	11,809	8,477	(3,332)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	5,420	5,420	5,210	210
Materials and services	812	812	343	469
Total regular programs	6,232	6,232	5,553	679
Special programs:				
Salaries and benefits	2,138	2,138	1,404	734
Materials and services	302	302	317	(15)
Total special programs	2,440	2,440	1,721	719
Summer school programs:				
Salaries and benefits	285	285	282	3
Materials and services	40	40	(13)	53
Total summer school programs	325	325	269	56
Total instruction	**8,997**	**8,997**	**7,543**	**1,454**
Support Services:				
Students:				
Salaries and benefits	28	28	10	18
Materials and services	875	875	372	503
Total students	903	903	382	521
Instructional staff:				
Salaries and benefits	271	271	231	40
Materials and services	377	377	127	250
Total instructional staff	648	648	358	290
General administration:				
Materials and services	317	317	29	288
Total general administration	317	317	29	288
School administration:				
Salaries and benefits	294	294	278	16
Materials and services	91	91	13	78
Total school administration	385	385	291	94

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
For the year ended June 30, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final	Amounts	Positive/ (Negative)
Support Services (continued):				
Business:				
Materials and services	$ 266	$ 266	$ 258	$ 8
Central:				
Salaries and benefits	7	7	5	2
Materials and services	403	303	195	108
Total central	410	310	200	110.00
Total support services	**2,929**	**2,829**	**1,518**	**1,311**
Enterprise and Community Services:				
Food Services:				
Materials and services	17	27	15	12
Community Services:				
Salaries and benefits	12	22	23	(1)
Materials and services	2	82	10	72
Total community services	14	104	33	71
Total enterprise and community service	**31**	**131**	**48**	**83**
Facilities acquisition & construction:				
Materials and services	152	152	150	2
Total Facilities acquisition & construction	**152**	**152**	**150**	**2**
Total current expenditures	12,109	12,109	9,259	2,850
Operating Contingencies	**1,000**	**1,000**	**-**	**1,000**
Total current expenditures	13,109	13,109	9,259	3,850
Excess of expenditures over revenues	(300)	(300)	(782)	482
OTHER FINANCING SOURCES				
Proceeds from the sale of capital assets	300	300	-	300
Net change in fund balance	-	-	(782)	782
Fund balance - beginning of year	-	-	4,194	4,194
Fund balance - end of year	$ -	$ -	$ 3,412	$ 3,412

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
System Project Debt Service Fund
Schedule of Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget Positive/
	Original	**Final**	**Amounts**	**(Negative)**
EXPENDITURES				
Debt Service:				
Principal	$ 4,955	$ 4,955	$ 4,955	$ -
Interest and fiscal charges	490	490	490	-
Total debt service	**5,445**	**5,445**	**5,445**	**-**
OTHER FINANCING SOURCES				
Transfers in	5,445	5,445	5,445	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Bond Sinking Fund
Schedule of Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget Positive/
	Original	Final	Amounts	(Negative)
EXPENDITURES				
Debt Service:				
Principal	$ 1,250	$ 1,250	$ 1,250	$ -
Interest and fiscal charges	419	419	419	-
Total debt service	**1,669**	**1,669**	**1,669**	**-**
OTHER FINANCING SOURCES				
Transfers in	1,669	1,669	1,669	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
General Obligation Bond Debt Service Fund
Schedule of Other Financing Uses and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance from Final Budget Positive/
	Original	Final	Amounts	(Negative)
OTHER FINANCING USES				
Transfers out	**$ (1,300)**	**$ (1,300)**	**$ (1,146)**	**$ 154**
Fund balance - beginning of year	1,300	1,300	1,146	(154)
Fund balance - end of year	$ -	$ -	$ -	$ -

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, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget Positive/
	Original	Final	Amounts	(Negative)
EXPENDITURES				
Debt Service:				
Interest and fiscal charges	$ 675	$ 411	$ 411	$ -
Total debt service	**675**	**411**	**411**	**-**
OTHER FINANCING SOURCES				
Transfers in	675	411	411	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Construction Excise Tax Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget Positive/
	Original	Final	Amounts	(Negative)
REVENUES				
Property and other taxes	$ -	$ 1,000	$ 69	$ (931)
EXPENDITURES				
Operating contingency	**-**	**1,000**	**-**	**1,000**
Excess of revenue over expenditures	-	-	69	69
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ 69	$ 69

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Self-Insurance Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
For the year ended June 30, 2008
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance from Final Budget Positive/
	Original	Final	Amounts	(Negative)
REVENUES				
Charges for services	$ 4,855	$ 4,855	$ 4,959	$ 104
Investment income	250	250	300	50
Other	30	30	10	(20)
Total revenues	5,135	5,135	5,269	134
EXPENDITURES				
Current Operating:				
Support Services:				
Salaries and benefits	434	434	257	177
Materials and services	4,538	4,538	435	4,103
Claims expense	-	-	3,655	(3,655)
Total Support Services	**4,972**	**4,972**	**4,347**	**625**
Operating contingency	**1,000**	**1,000**	**-**	**1,000**
Total current expenditures	5,972	5,972	4,347	1,625
Excess (deficit) of revenues over expenditures	(837)	(837)	922	1,759
Fund balance - beginning of year	1,164	1,164	5,035	3,872
Fund balance - end of year	$ 327	$ 327	5,957	$ 5,631
Less				
Other post employment benefits expense			(9)	
Compensated absences accrued			(12)	
Retained earnings at end of year			$ 5,936	

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, 2008

DISTRICT LEVIES	Tax Year	Taxes Uncollected June 30, 2007	Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes Uncollected June 30, 2008
Multnomah County:								
General Tax:								
Current Year	2007-2008	$ -	$ 177,472,269	$ (4,365,253)	$ 80,973	$ (768,456)	$ (167,213,862)	$ 5,205,671
Prior Years	2006-2007	4,560,649	-	2,375	196,651	(117,486)	(3,005,387)	1,636,802
	2005-2006	1,471,242	-	1,567	128,130	(63,568)	(862,670)	674,701
	2004-2005	728,240	-	1,136	114,800	(44,882)	(498,194)	301,100
	2003-2004	289,572	-	872	67,396	(28,116)	(260,248)	69,476
	2002-2003	76,859	-	86	8,116	(14,968)	(25,489)	44,604
	2001-2002	44,042	-	-	4,714	(7,912)	(12,311)	28,533
	2000-2001	22,602	-	-	1,455	(2,690)	(3,539)	17,828
	1999-2000	14,924	-	-	1,150	(831)	(2,583)	12,660
	1998-1999	10,335	-	-	(12,997)	13,033	(1,222)	9,149
	10+ yrs prior	119,055	-	79	(10,266)	13,411	(9,650)	112,629
Total General Tax:		7,337,520	177,472,269	(4,359,138)	580,122	(1,022,465)	(171,895,155)	8,113,153
Local Option Taxes:								
Current Year	2007-2008	-	36,927,023	(908,287)	16,848	(159,894)	(34,792,535)	1,083,155
Prior Year	2004-2005	83,600	-	131	13,179	(5,152)	(57,192)	34,566
	2003-2004	33,888	-	102	7,887	(3,290)	(30,457)	8,130
	2002-2003	8,771	-	10	926	(1,708)	(2,909)	5,090
	2001-2002	4,798	-	-	514	(862)	(1,341)	3,109
	2000-2001	2,268	-	-	146	(270)	(355)	1,789
Total Local Option Taxes:		133,325	36,927,023	(908,044)	39,500	(171,176)	(34,884,789)	1,135,839
Bond Tax:								
Current Year	2004-2005	161,899	-	252	25,522	(9,978)	(110,756)	66,939
Prior Years	2003-2004	66,728	-	201	15,530	(6,479)	(59,970)	16,010
	2002-2003	18,395	-	21	1,942	(3,582)	(6,101)	10,675
	2001-2002	8,615	-	-	922	(1,548)	(2,408)	5,581
	2000-2001	4,350	-	-	280	(518)	(681)	3,431
	1999-2000	3,056	-	-	236	(170)	(529)	2,593
	1998-1999	2,015	-	-	(2,533)	2,540	(238)	1,784
	10+ yrs prior	5,611	-	7	(3,307)	3,193	(186)	5,318
Total Bond Taxes		270,669	-	481	38,592	(16,542)	(180,869)	112,331

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund
Schedule of Property Tax Transactions (Continued)
For the Year Ended June 30, 2008

DISTRICT LEVIES	Tax Year	Taxes Uncollected June 30, 2007	Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes Uncollected June 30, 2008
Cancel/Omit								
Current Year	2007-2008	$ -	$ 469,161	$ (11,540)	$ 214	$ (2,031)	$ (442,042)	$ 13,762
Prior Year	2006-2007	5,900	-	3	254	(152)	(3,888)	2,117
	2005-2006	4,137	-	4	360	(179)	(2,425)	1,897
	2004-2005	2,006	-	3	316	(124)	(1,372)	829
	2003-2004	603	-	2	140	(58)	(542)	145
Total Cancel/Omit Taxes:		12,646	469,161	(11,528)	1,284	(2,544)	(450,269)	18,750
Total Multnomah County:		7,754,160	214,868,453	(5,278,229)	659,498	(1,212,727)	(207,411,082)	9,380,073
Washington County:								
All Years [1]		-	1,592,385	-	-	-	(1,535,533)	-
Clackamas County:								
All Years [1]		-	183,669	-	-	-	(176,170)	-
Total All Counties:		$ 7,754,160	$ 216,644,507	$ (5,278,229)	$ 659,498	$ (1,212,727)	$ (209,122,785)	$ 9,380,073

[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 were considered immaterial at June 30, 2008.

All Property Tax Transactions were recorded in the General Fund for FY 2008. Prior to FY 2008 Bond Taxes were recorded in the General Obligation Bond Debt Service Fund.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund
Schedule of Property Tax Transactions
For the Year Ended June 30, 2008

Reconciliation to Financial Statements:

Property tax collections for the year ended June 30, 2008	$ 209,122,785	
Non-levied tax revenue received for the year ended June 30, 2008	638,428	
Uncollected property taxes at June 30, 2008		$ 9,380,073
Uncollected property taxes susceptible to accrual at June 30, 2008	977,305	(961,049)
Non-levied tax revenue susceptible to accrual at June 30, 2008	6,389	(6,178)
Property taxes & non-levy revenue susceptible to accrual at June 30, 2007, and collected during the year ended June 30, 2008	(939,597)	
Total property taxes - General Fund	$ 209,805,310	
Total Deferred Revenues - General Fund		$ 8,412,846

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, 2008
(amounts expressed in thousands)

Governmental funds capital assets:		
Land	$	8,756
Buildings and site improvements		312,667
Vehicles and equipment		35,251
Construction in progress		1,099
Total governmental funds capital assets	$	357,773

Investments in governmental funds capital assets by source:		
General fund	$	144,570
Special Revenue funds		3,468
Capital Projects funds		209,735
Total governmental funds capital assets	$	357,773

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2008
(amounts expressed in thousands)

Function and Activity	Land	Buildings and Site Improvements	Vehicles and Equipment	Construction in Progress	Total
General government:					
Instruction	$ 6,749	$ 285,276	$ 3,092	$ 1,038	$ 296,155
Support services	2,007	27,380	30,836	61	60,284
Food services	-	10	1,324	-	1,334
Total governmental funds capital assets	$ 8,756	$ 312,666	$ 35,252	$ 1,099	$ 357,773

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
June 30, 2008
(amounts expressed in thousands)

Function and Activity	Governmental Funds Capital Assets July 1, 2007	Additions	Deductions	Governmental Funds Capital Assets June 30, 2008
General government				
Instruction	$ 293,832	$ 2,323	$ -	$ 296,155
Support services	59,582	702	-	60,284
Food services	1,334	-	-	1,334
Total governmental funds capital assets	$ 354,748	$ 3,025	$ -	$ 357,773