

School District No. 1J, Multnomah County, Oregon

PORLAND PUBLIC SCHOOLS



REPORT ON REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

For the year ended June 30, 2018





Portland Public Schools

**Report on Requirements for Federal Awards
(Uniform Guidance)**

For the year ended June 30, 2018

School District No. 1J, Multnomah County, Oregon

Portland, Oregon

Prepared by the Finance Department



**School District No. 1J,
Multnomah County, Oregon
Portland Public Schools**

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PPS Honor Day Native Students 2018



Faubion Elementary 2018



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**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 1J, Multnomah County, Oregon (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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



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**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)**

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Talbot, Kowale & Warwick LLP

Lake Oswego, Oregon
December 17, 2018



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited School District No. 1J, Multnomah County, Oregon (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the Summary of Independent Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

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

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

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE UNIFORM GUIDANCE (Continued)**

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

**REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM
GUIDANCE**

We have audited the financial statements of the District as of and for the year ended June 30, 2018, and have issued our report thereon dated December 17, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE UNIFORM GUIDANCE (Continued)**

**REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM
GUIDANCE (Continued)**

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Talbot, Kowola & Warwick LLP

Lake Oswego, Oregon
December 17, 2018





Ainsworth Elementary 2018



Kelly Early Kindergarten 2018

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

CFDA/ Grant	Grant Description	Pass-Through Grantor's No.	Grant		Direct or Pass-Through	Expenditures	Agency Total
			Begin Date	End Date			

Department of Agriculture

Food and Nutrition Service

Child Nutrition Cluster

10.553 School Breakfast Program

202	Donated Foods		7/1/17	6/30/18	Pass-Through	88,677	1
202	School Breakfast Program	N/A	7/1/17	6/30/18	Pass-Through	2,590,324	
						<u>2,679,000</u>	

10.555 National School Lunch Program

202	Donated Foods		7/1/17	6/30/18	Pass-Through	977,065	1
202	National School Lunch Program	N/A	7/1/17	6/30/18	Pass-Through	6,751,103	
						<u>7,728,168</u>	

10.559 Summer Food Service Program for Children

202	Summer Food Service Program for Children	N/A	7/1/17	6/30/18	Pass-Through	591,556	
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Total Child Nutrition Cluster 10,998,724

10.558 Child and Adult Care Food Program

202	Donated Foods		7/1/17	6/30/18	Pass-Through	34,897	1
G0339	Childcare Food Program for Head Start	N/A	7/1/17	6/30/18	Pass-Through	520,561	
202	Child and Adult Care Food Program	N/A	7/1/17	6/30/18	Pass-Through	705,137	
						<u>1,260,595</u>	

10.582 Fresh Fruit and Vegetable Program

202	Fresh Fruit and Vegetable Grants	Multiple	7/1/17	6/30/18	Pass-Through	521,634	
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Forest Service

Forest Service Schools and Roads Cluster

10.665 Schools and Roads - Grants to States

101	Schools and Roads - Grants to States	N/A	7/1/17	6/30/18	Pass-Through	21,655	
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Forest Service Schools and Roads Cluster 21,655

Pass-Through from Oregon Department of Education	12,260,392
Pass-Through from Oregon Nutrition Services	520,561
Pass-Through from Multnomah & Clackamas Counties	21,655

Department of Agriculture Total

12,802,608

Department of Commerce

National Institute of Standards and Technology

11.620 Science, Technology, Business and/or Education Outreach

G1705	FED-NIST Summer Experience	70NANB17H204	6/1/17	9/30/17	Direct	9,030	
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Direct Funding	9,030
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Department of Commerce Total

9,030

See accompanying Notes to Schedule of Expenditures of Federal Awards

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

CFDA/ Grant	Grant Description	Pass-Through Grantor's No.	Grant		Direct or Pass-Through	Expenditures	Agency Total
			Begin Date	End Date			

Department of Defense

Office Of The Secretary of Defense

12.550 The Language Flagship Grants to Institutions of Higher Education

G1658	Mandarin Chinese Flagship Grant	271880A	6/1/17	5/31/18	Pass-Through	369,359
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National Security Agency

12.900 Language Grant Program

G1664	StarTalk	H98230-17-1-0089	6/15/17	2/28/18	Direct	103,425
G1751	StarTalk	H98230-18-1-0205	5/2/18	2/28/19	Direct	29,576
						<hr/> 133,002

Direct Funding	133,002
Pass-Through from University of Oregon CASLS	369,359

Department of Defense Total

502,360

National Science Foundation

47.076 Education and Human Resources

G1477	Cornell Lab of Ornithology AISL Award	Letter	11/1/14	9/30/17	Pass-Through	29,708
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Pass-Through from Cornell University	29,708
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National Science Foundation Total

29,708

See accompanying Notes to Schedule of Expenditures of Federal Awards

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

CFDA/ Grant	Grant Description	Pass-Through Grantor's No.	Grant		Direct or Pass-Through	Expenditures	Agency Total
			Begin Date	End Date			

Department of Education

Office of Career, Technical, and Adult Education

84.048 Career and Technical Education - Basic Grants to States

G1615	Carl Perkins 16/17	40323	7/1/16	9/30/17	Pass-Through	6,962	
G1685	Carl Perkins 17/18	44296	7/1/17	9/30/18	Pass-Through	340,437	
						347,399	

Office of Elementary and Secondary Education

84.010 Title I Grants to Local Educational Agencies

G1501	FED-Title I - Central	36057	7/1/15	9/30/17	Pass-Through	648,826	
G1590	FED-Title I - School Budgets	41141	7/1/16	9/30/18	Pass-Through	131,446	
G1591	FED-Title I - Central	41141	7/1/16	9/30/18	Pass-Through	2,410,766	
G1592	FED-Title I Focus/Priority Set	41141	7/1/16	9/30/18	Pass-Through	87,909	
G1593	FED-Title ID	41209	7/1/16	9/30/18	Pass-Through	160,343	
G1597	FED-Prior/Foc Im, Cesar Chavez	41836	7/1/16	9/30/17	Pass-Through	7,998	
G1598	FED-Prior/Foc Im Disc Jeffersn	41837	7/1/16	9/30/18	Pass-Through	20,296	
G1599	FED-Prior/Foc Im Disc Lane	41838	7/1/16	9/30/18	Pass-Through	9,512	
G1600	FED-Prior/Foc Im Disc Rigler	41840	7/1/16	9/30/17	Pass-Through	10,221	
G1601	FED-Prior/Foc Disc Rosa Parks	41842	7/1/16	9/30/17	Pass-Through	6,748	
G1602	FED-Prior/Foc Im Disc Scott	41843	7/1/16	9/30/17	Pass-Through	5,619	
G1603	FED-Prior/Foc Im Disc Sitton	41844	7/1/16	9/30/17	Pass-Through	15,277	
G1604	FED-Prior/Foc Im Disc Whitman	41846	7/1/16	9/30/17	Pass-Through	9,431	
G1605	FED-Prior/Foc Im Disc Woodmere	41847	7/1/16	9/30/17	Pass-Through	6,892	
G1670	FED-Title IA - School Budgets	45676	7/1/17	9/30/18	Pass-Through	3,597,460	
G1671	FED-Title IA - Central	45676	7/1/17	9/30/18	Pass-Through	3,550,454	
G1672	FED-Title IA Focus/PriorSet As	45676	7/1/17	9/30/18	Pass-Through	67,299	
G1676	FED-Title ID	45744	7/1/17	9/30/18	Pass-Through	110,072	
						10,856,569	

84.011 Migrant Education State Grant Program

G1594	Title IC - Migrant Education	41226	7/1/16	9/30/17	Pass-Through	64,909	
G1595	Title IC - Migrant Education Preschool	41245	7/1/16	9/30/17	Pass-Through	5,125	
G1596	Title IC - Migrant Education Summer	43688	7/1/16	9/30/17	Pass-Through	34,237	
G1673	FED-Title IC - Migrant Ed	44991	7/1/17	9/30/18	Pass-Through	165,884	
G1675	FED-Title IC - Migrant Summer	48635	7/1/17	9/30/18	Pass-Through	3,419	
						273,574	

84.144 Migrant Education Coordination Program

G1711	FED-Laptops for Electronic EOE	44043	6/1/17	9/30/17	Pass-Through	800	
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84.013 Title I State Agency Program for Neglected and Delinquent Children and Youth

G1683	Title I N&D - Portland DART Schools 16/17	IGAR 65265	7/1/17	6/30/19	Pass-Through	190,842	
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See accompanying Notes to Schedule of Expenditures of Federal Awards

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

CFDA/ Grant	Grant Description	Pass-Through Grantor's No.	Grant		Direct or Pass-Through	Expenditures	Agency Total
			Begin Date	End Date			

Department of Education - (Continued)

Office of Elementary and Secondary Education (Continued)

84.196 Education for Homeless Children and Youth

G1607	McKinney-Vento Homeless Education	40511	7/1/16	9/30/17	Pass-Through	6,279	
G1677	McKinney-Vento Homeless Education	46127	7/1/17	9/30/18	Pass-Through	30,300	
						36,579	

84.287 Twenty-First Century Community Learning Centers (CLCs)

G1525	21st Century CLCs Cohort 3 Yr 3	36391	7/1/15	9/30/17	Pass-Through	187,920	
G1612	21st Century CLCs Cohort 3 Yr 4	40529	7/1/16	9/30/18	Pass-Through	338,622	
G1682	21st Century CLCs Cohort 4 Yr 4	44156	7/1/17	9/30/18	Pass-Through	32,374	
						558,915	

84.365 English Language Acquisition State Grants

G1520	Title III - English Language Acquisition	36356	7/1/15	9/30/17	Pass-Through	9,437	
G1680	Title III - English Language Acquisition	44247	7/1/17	9/30/18	Pass-Through	386,943	
						396,379	

84.367 Supporting Effective Instruction State Grants

G1518	Title IIA - Teacher Quality	36254	7/1/15	9/30/17	Pass-Through	86,374	
G1608	Title IIA - Teacher Quality	41396	7/1/16	9/30/18	Pass-Through	836,127	
G1609	Title IIA - Private School Allocation	41396	7/1/16	9/30/18	Pass-Through	224,362	
G1678	Title IIA - Teacher Quality	45892	7/1/17	9/30/18	Pass-Through	822,287	
G1679	Title IIA, Private School Allocation	45892	7/1/17	9/30/18	Pass-Through	121,886	
						2,091,035	

84.060 Indian Education Grants to Local Educational Agencies

G1681	Indian Education	S060A170938	7/1/17	6/30/18	Direct	128,406	
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84.377 School Improvement Grants

G1606	School Improvement - Woodlawn	41815	7/1/16	9/30/18	Pass-Through	147,665	
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See accompanying Notes to Schedule of Expenditures of Federal Awards

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

CFDA/ Grant	Grant Description	Pass-Through Grantor's No.	Grant		Direct or Pass-Through	Expenditures	Agency Total
			Begin Date	End Date			

Department of Education - (Continued)

Office Of Special Education and Rehabilitative Services

Special Education Cluster (IDEA)

84.027 Special Education Grants to States

G1620	IDEA Part B, 611 16/17	41603	7/1/16	9/30/18	Pass-Through	2,978,994
G1622	IDEA Enhancement - 16/17	42736	10/1/16	9/30/17	Pass-Through	20,285
G1630	Columbia Regional 15/17 - IDEA	IGAR59939	7/1/15	6/30/17	Pass-Through	55,349
G1687	Special Ed - SPR&I 16/18 - Discretionary	44478	7/1/17	6/30/18	Pass-Through	12,780
G1688	Extended Assessment- 17/18	45073	7/1/17	6/30/18	Pass-Through	6,518
G1689	TBI Liaison 2017-18	47574	7/1/17	6/30/18	Pass-Through	22,344
G1690	IDEA Part B, Section 611 2017-18 Formula	45244	7/1/17	9/30/19	Pass-Through	5,838,445
G1692	IDEA Enhancement - 17/18	46522	10/1/17	9/30/18	Pass-Through	3,303
G1693	Audiology Support	46751	7/1/17	6/30/19	Pass-Through	444,295
G1699	Portland Dart - LTCT 2017-18 IDEA	IGAR65265	7/1/17	6/30/19	Pass-Through	53,394
G1700	Columbia Regional Contract	IGAR64777	7/1/17	6/30/19	Pass-Through	5,202,108
G1723	SWIFT Schools 17-18	46734	10/15/17	9/30/18	Pass-Through	4,269
G1772	Post School Outcome Interview	48480	6/1/17	9/30/17	Pass-Through	3,510
						14,645,595

84.173 Special Education Preschool Grants

G1534	IDEA Part B, Section 619 (FY 2016)	37239	7/1/15	9/30/17	Pass-Through	10,051
G1621	IDEA Part B, Section 619 (FY 2017)	40665	7/1/16	9/30/18	Pass-Through	81,606
						91,656

Total Special Education (IDEA) Cluster 14,737,251

84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States

G1710	YTP Vocational Rehabilitation Grant	IGAR64923	7/1/17	6/30/19	Pass-Through	143,528
G1616	Oregon Commission for the Blind	IGAR63443	7/1/16	9/30/17	Pass-Through	20,553
G1686	Oregon Commission for the Blind	IGAR61967	7/1/17	9/30/18	Pass-Through	277,000
						441,081

84.323 Special Education - State Personnel Development

G1749	FED-MTSS LEA Coaches	47593	12/1/17	7/31/18	Pass-Through	5,286
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84.326 Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities

G1645	SWIFT Schools 16/17	42965	1/15/15	10/14/17	Pass-Through	15,596
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Institute of Education Sciences

84.324 Research in Special Education

G1589	Paths 2 the Future	IGA/R63337	8/15/16	6/30/18	Pass-Through	4,196
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Office of Safe and Healthy Students

84.424 Student Support and Academic Enrichment

G1771	Title IV-A Student Sppt 17-19	47805	7/1/17	9/30/18	Pass-Through	9,415
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See accompanying Notes to Schedule of Expenditures of Federal Awards

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

CFDA/ Grant	Grant Description	Pass-Through Grantor's No.	Grant		Direct or Pass-Through	Expenditures	Agency Total
			Begin Date	End Date			

Department of Education - (Continued)

Office of Postsecondary Education

84.334 Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)

G1455	GEAR-UP - Mobilizing for College	P334A140180	9/25/14	9/24/21	Direct	1,691,875
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Office of Innovation and Improvement

84.411 Education Innovation and Research

G1716	PREP	U411C170253	10/1/17	9/30/22	Direct	202,098
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Direct Funding	2,022,380
Pass-Through from Oregon Department of Education	29,667,306
Pass-Through from Oregon Commission for the Blind	297,553
Pass-Through from University of Oregon	4,196
Pass-Through from Oregon Department of Human Services	143,528

Department of Education Total

32,134,963

See accompanying Notes to Schedule of Expenditures of Federal Awards

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

CFDA/ Grant	Grant Description	Pass-Through Grantor's No.	Grant		Direct or Pass-Through	Expenditures	Agency Total
			Begin Date	End Date			

Department of Health and Human Services

Administration for Children and Families

Child Care and Development Fund Cluster

93.575 Child Care and Development Block Grant

G1706	Teen Parent Services	10958	7/1/17	6/30/18	Pass-Through	85,998
G1755	Teen Parent Services	156248	1/1/18	6/30/19	Pass-Through	121,453
						207,451

Total Child Care and Development Fund Cluster **207,451**

93.600 Head Start

G1626	Head Start 16/17	10CH0193-04-00	11/1/16	10/31/17	Direct	756,889
G1663	Head Start Duration Grant - Start Up	10CH0193-04-00	11/1/16	10/31/17	Direct	454,855
G1696	Head Start 17/18	10CH0193-05-00	11/1/17	10/31/18	Direct	3,641,441
						4,853,185

93.658 Foster Care Title IV-E

G1234	Foster Care Transportation	IGAR 58988	9/1/11	6/30/19	Pass-Through	14,426
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Office of Secretary of Health and Human Services

93.297 Teen Pregnancy Prevention Program

G1659	Multnomah County ACT/TPP Project	IGAR64152	7/1/16	6/30/20	Pass-Through	7,193
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Centers for Disease Control and Prevention

93.079 Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance

G1713	Adolescent HIV/STI Prevention Partnership Project Teir II		7/28/17	6/30/18	Pass-Through	6,000
G1719	Adolescent HIV/STI Prevention Partnership Project Teir III	IGAR65434	10/1/17	9/30/18	Pass-Through	18,566
						24,566

Centers for Medicare and Medicaid Services

Medicaid Cluster

93.778 Medical Assistance Program

S0027	Medicaid Revenue - Regional Durable Medical Equipment		7/1/16	6/30/19	Pass Through	56,363
						56,363

Total Medicaid Cluster **56,363**

Direct Funding	4,853,185
Pass-Through from OR Dept. of Education Child Care Division	207,451
Pass-Through from Advocates for Youth	24,566
Pass-Through from Multnomah County	7,193
Pass-Through from Oregon Department of Human Services	70,789

Department of Health and Human Services Total

5,163,186

Grand Total

50,641,855

This schedule is prepared on the modified accrual basis of accounting.

¹ Donated food is valued at estimated fair value. Donated food was allocated between 10.553, 10.555 and 10.558.

See accompanying Notes to Schedule of Expenditures of Federal Awards

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

Notes to Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

Purpose of the Schedule

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for State, Local and Indian Tribal Governments, where applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

Federal Financial Assistance

Pursuant to Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs for the District are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in notes to the financial statements. The Schedule includes all federal programs administered by the District for the year ended June 30, 2018.

Expenditure Recognition

Expenditures of federal awards are accounted for under the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred. Donated commodities are valued at their estimated fair value.

Subrecipients

The District does not pass-through federal awards to any subrecipients.



Harrison Park Multicultural Night 2018



Roseway Heights Lunar New Year 2018

SCHOOL DISTRICT No. 1J, MULTNOMAH COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of <i>Uniform Guidance</i> ?	No

Identification of major programs:

CFDA NUMBER(S)	NAME OF PROGRAM OR CLUSTER
84.027, 84.173	Special Education Cluster (IDEA)
84.287	Twenty-First Century Community Learning Centers (CLCs)
84.334A	Gaining Early Awareness and Readiness for Undergraduate Programs
84.367	Supporting Effective Institution State Grant
93.600	Head Start

SCHOOL DISTRICT No. 1J, MULTNOMAH COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS (Continued)

Dollar threshold used to distinguish between type A and type B programs	\$ 1,519,256
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2017-001

Condition: When the District presented the original trial balance and financial statements for audit, the District did not recognize an accounts payable of approximately \$2.05 million for the construction of capital assets. The District's internal control over the processing of year-end accounts payable failed to recognize the asset and accounts payable for fiscal 2017 and instead recorded the transaction in fiscal 2018. As a result, assets and liabilities were understated in the District's Statement of Net Position and the GO Bond Fund liabilities were understated and fund balance was overstated by the \$2.05 million.

Corrective Action: The District researched and reviewed the current internal control processes and implemented additional and repetitive training for the Accounts Payable team. During November and December 2017 four sessions of training were held. The District continues to provide periodic training to ensure the staff has the knowledge and skills to perform this task. The District has also implemented multi-departmental strategies to ensure all expenses are recorded in the correct fiscal year.

Finding 2017-002

Condition: When the District presented the original trial balance and financial statements for audit, deferred outflows and net position were overstated by approximately \$18 million. The District enlisted an outside contractor to assist in calculating GASB 68 pension journal entries and disclosures. This calculation incorrectly included \$18 million in pension contributions

SCHOOL DISTRICT No. 1J, MULTNOMAH COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2018

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Finding 2017-002 (Continued)

subsequent to measurement date that had not actually been made. As a result, deferred outflows and net position were overstated in the District's Statement of Net Position by approximately \$18 million.

Corrective Action: The Director of Financial Services has managed CAFR preparation for the 2017-18 fiscal year, including a thorough review of any work prepared by contractors. In addition, her preparation has been reviewed by the CFO.

Finding 2017-003

Condition: When the District presented the original trial balance and financial statements for audit, accrued interest was overstated by approximately \$5.6 million. In addition, there were misclassifications within the net position category of approximately \$37 million. The District's internal control over year-end financial statement preparation failed to detect and correct incorrectly calculated accrued interest and net position classifications at year end. As a result of the accrued interest error, liabilities were overstated and net position understated in the District's Statement of Net Position by \$5.6 million. As a result of the net position misclassifications, investment in capital assets and restricted net position were overstated by approximately \$35.5 million and \$1.5 million, respectively and unrestricted net position was understated by approximately \$37 million.

Corrective Action: The Director of Financial Services has managed CAFR preparation for the 2017-18 fiscal year, including a thorough review of any work prepared by contractors. In addition, her preparation has been reviewed by the CFO.

Finding 2017-004

Condition: Matching contributions from the District and from in-kind services provided by a subcontractor for the College Ahead Program and Mobilizing for College were incorrectly determined and reported. The errors occurred in the Annual Performance Reports (APR) for the reporting period from October 1, 2015 through September 30, 2016. The matching contributions tested in our sample (7 of 55) were incorrectly calculated or did not have supporting documentation. Our tests determined there were \$20,409 of known and \$82,099 of likely questioned matching contributions reported on the APRs. The District is required to meet its matching contribution requirement by the end of the 7th year of the award. Therefore, future matching contributions could be

SCHOOL DISTRICT No. 1J, MULTNOMAH COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

YEAR ENDED JUNE 30, 2018

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

Finding 2017-004 (Continued)

adjusted to correct the aforementioned questioned contributions. The control over recording and reporting matching information was not designed to review invoices from external vendors for amounts claimed as matching contributions. In addition, the control failed to identify a spreadsheet calculation error. The District over reported its matching contributions for the College Ahead Program and Mobilizing for College in their Annual Performance Reports.

Corrective Action: District finance and program staff now meet bi-weekly and have instituted joint review of processes and documentation. The District consulted with other large GEAR UP grant holders, culminating in a joint finance/program visit to LA Unified School District, which has a program similar to Portland's and is recognized for their effective management processes around their GEAR UP grant. As a result of the visit, the District has hired a business operations analyst in the GEAR UP program and is implementing new processes, accounting manuals and software. The District is also reestablishing a joint grant management team to improve management processes across all grants.



Rose City Park Grand Opening 2018



Vestal Elementary 2018

SCHOOL DISTRICT No. 1J, MULTNOMAH COUNTY, OREGON

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2017-001 Internal Controls over Financial Reporting

- Condition: When the District presented the original trial balance and financial statements for audit, the District did not recognize an accounts payable of approximately \$2.05 million for the construction of capital assets.
- Corrective Action: Additional Training for Accounts Payable Team. District implemented multi-departmental strategies to ensure all expenses are recorded in the correct fiscal year.

Finding 2017-002 Internal Controls over Financial Reporting

- Condition: When the District presented the original trial balance and financial statements for audit, deferred outflows and net position were overstated by approximately \$18 million.
- Corrective Action: District implemented two levels of review for CAFR preparation.

Finding 2017-003 Internal Controls over Financial Reporting

- Condition: When the District presented the original trial balance and financial statements for audit, accrued interest was overstated by approximately \$5.6 million.
- Corrective Action: District implemented two levels of review for CAFR preparation.

SCHOOL DISTRICT No. 1J, MULTNOMAH COUNTY, OREGON

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

Finding 2017-004 84.334A Gaining Early Awareness and Readiness for Undergraduate Programs

- Condition: Matching contributions from the District and from in-kind services provided by a subcontractor for the College Ahead Program and Mobilizing for College were incorrectly determined and reported. The errors occurred in the Annual Performance Reports (APR) for the reporting period from October 1, 2015 through September 30, 2016. The matching contributions tested in our sample (7 of 55) were incorrectly calculated or did not have supporting documentation. Our tests determined there were \$20,409 of known questioned and \$82,099 of likely questioned matching contributions reported on the APRs. The District is required to meet its matching contribution requirement by the end of the 7th year of the award. Therefore, future matching contributions could be adjusted to correct the aforementioned questioned contributions.
- Corrective Action: Management implemented monthly review meetings between the Grant Accounting team and the GEAR UP Program team to improve imformation flow. In addition, Management is evaluating options

School District No. 1J, Multnomah County, Oregon

PORLAND PUBLIC SCHOOLS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended June 30, 2018



Portland Public Schools

Comprehensive Annual Financial Report

For the year ended June 30, 2018

School District No. 1J, Multnomah County, Oregon

Portland, Oregon

Prepared by the Finance Department

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

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SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Comprehensive Annual Financial Report For the Year Ended June 30, 2018

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Introductory



Introductory



PORLAND PUBLIC SCHOOLS

501 North Dixon Street / Portland, OR 97227

Telephone: (503) 916-3200 / Fax: (503) 916-3110

Mailing Address: P. O. Box 3107/97208-3107

Claire Hertz

Deputy Superintendent

December 18, 2018

To the Community of School District No. 1J, Multnomah County, Oregon, and to the Members of the Board of Education:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of School District No.1J, Multnomah County, Oregon (Portland Public Schools or the District or PPS) for the fiscal year ended June 30, 2018, together with the audit opinions of our auditors as required by Oregon Revised Statutes. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with District management. We believe the financial statements and related information reflecting the financial position and results of the operations of the District are stated fairly in all material aspects. All disclosures necessary to enable the reader to gain maximum understanding of the District's financial affairs have been included.

To provide a reasonable basis for making these representations, District management has established and maintains an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Our internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal control structure is subject to periodic evaluation by management. We believe our internal control structure adequately safeguards the assets and provides reasonable assurance of proper recording of all financial transactions. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Financial Report Presentation

The financial statements of the District are 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 discussed in Note 1 of these financial statements.

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

The **Introductory Section** includes the table of contents, this transmittal letter, the District's organizational chart, and copies of certificates awarded for Portland Public Schools' 2017 CAFR.

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

The **Statistical Section** includes selected financial and demographic information, generally presented on a multi-year basis. These schedules are designed to improve the understandability and usefulness of the information presented in the financial section.

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

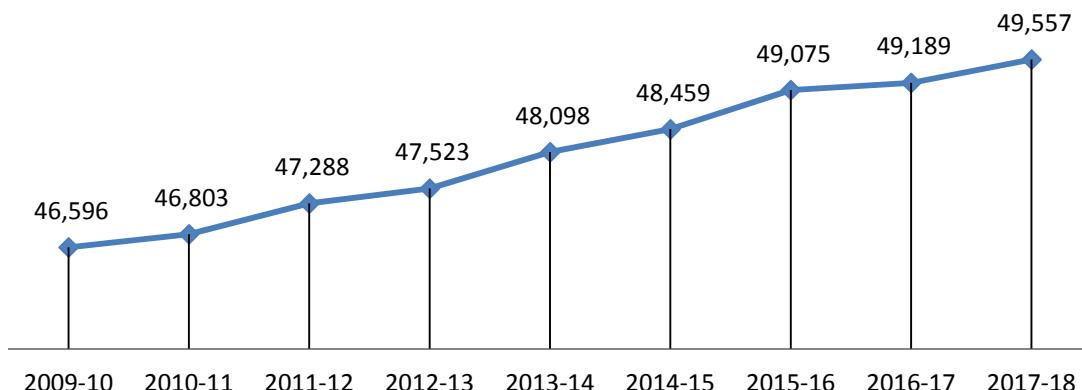
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's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

Profile of the District

Established in 1851, Portland Public Schools is the largest and oldest school district in the State of Oregon. The District covers an area over 152 square miles and has a population in excess of 685,000, including portions of the cities of Portland (pop. 639,100), Lake Oswego (pop. 37,490), and Milwaukie (pop. 20,550), based on 2017 estimates by the Portland State University Population Research Center. The District maintains over 100 campuses with more than 300 buildings and a total floor area of more than 9 million square feet. Please see Schedule 17 of the Statistical Section for details of each building's size, age and enrollment.

Student enrollment as of October 2017 was 49,557. Enrollment counts are compiled annually on or about the first of October as required by the State of Oregon. An enrolled student is defined as a student who attends one or more schools or programs within the District. Regardless of the number of schools or programs attended, each student is counted only once; the counts are not duplicated.

PPS Enrollment 2009-10 to 2017-18



October 2017 Portland Public Schools Student Enrollment

Program Type	Number of Schools / Programs	Enrollment	Enrollment Distribution
Regular School & Programs			
Elementary / K-8 Schools	56	26,627	53.73%
Middle Schools	11	6,449	13.01%
High Schools	9	11,768	23.75%
Total Regular Schools & Programs	76	44,844	90.49%
Alternative / Focus Programs	7	1,659	3.35%
Total Regular & Alternative Programs	83	46,503	93.84%
Community-Based Programs	9	1,035	2.09%
Special Services Programs	11	455	0.92%
Public Charter School Programs	7	1,564	3.16%
Total Programs and Enrollment	110	49,557	100.00%

Source: PPS Enrollment Summaries - October 2017

Starting in 2009, the District has experienced increases in enrollment. Enrollment counts from October 2017 show the total enrollment increased by 368 students, or about 1 percent, over the previous year. Demographic studies conducted by Portland State University project enrollment levels increasing for the next 12 years and then leveling off at about 56,000 students in the PSU "Medium Growth" scenario. Additional detail regarding enrollment may be found at <https://www.pps.net/site/Default.aspx?PageID=942>.

An elected seven-member board establishes and oversees the District's policies. The Board of Education is the chief governing body and is exclusively responsible for its public decisions. A list of board members can be found at page nine of this report. The chief administrative officer of the District is the Superintendent, who is appointed by the Board. The Board of Education is accountable for all fiscal matters that significantly affect operations. On August 11, 2017, the Board voted to authorize and approve Guadalupe Guerrero as the new Superintendent of Portland Public Schools. Mr. Guerrero began his new role as Superintendent on October 2, 2017.

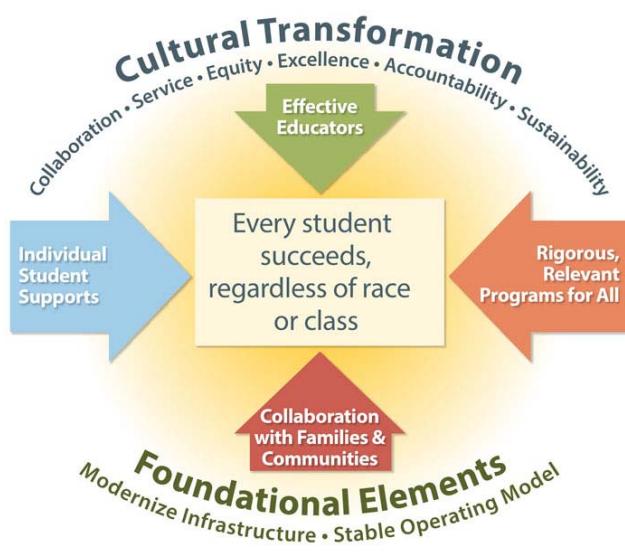
Under Oregon Revised Statutes (33.710), school districts are municipal corporations empowered to provide elementary and secondary educational services for the children residing within their boundaries. Portland Public Schools fulfills this responsibility by building, operating, and maintaining school facilities, developing and maintaining approved educational programs and courses of study (including career/technical educational programs and programs for English language learners and special-needs students), and providing for transportation and feeding of students in accordance with District, State and Federal program guidelines. This report includes all funds of the District.

Budgetary Controls

The District is required by the State of Oregon to adopt an annual budget for all funds subject to the requirements of Municipal Audit Law as outlined in the 2017 Oregon Revised Statutes 297.405 to 297.555 and 297.990. The budget for each individual fund is a plan for the financial operations to be conducted during the coming fiscal year and is adopted annually, prior to July 1, by the Board of Education after certification by the Multnomah County Tax Supervising and Conservation Commission. The appropriation categories within each fund, making up the District's budget are: Instruction, Support Services, Enterprise & Community Services, Facilities Acquisition & Construction, Debt Service, Transfers Out, Contingency and Ending Fund Balance. After adoption, the budget may be amended through procedures specified in State statute and Board policy.

Strategic Framework

In FY 2017-18, Portland Public Schools used a Strategic Framework to guide educational and operational planning, policy and practice.



The framework is grounded in:

- The District's Milestones Framework with a particular focus on equity of access to a rigorous program of study and raising achievement for all while accelerating gains and closing the gaps between white students and historically underserved students of color.
- The goal that "all students by name are prepared for college, career and participation as an active community member, regardless of race, income or zip code."
- The input and continued feedback from community partners, local and state leaders and PPS teachers, principals and families.

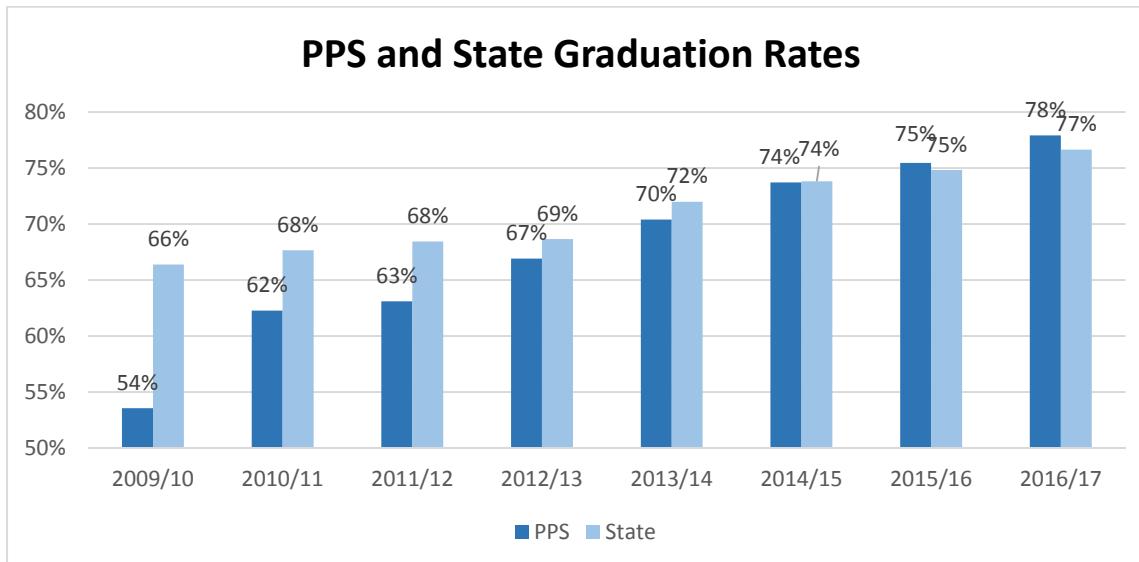
The framework focuses on four areas:

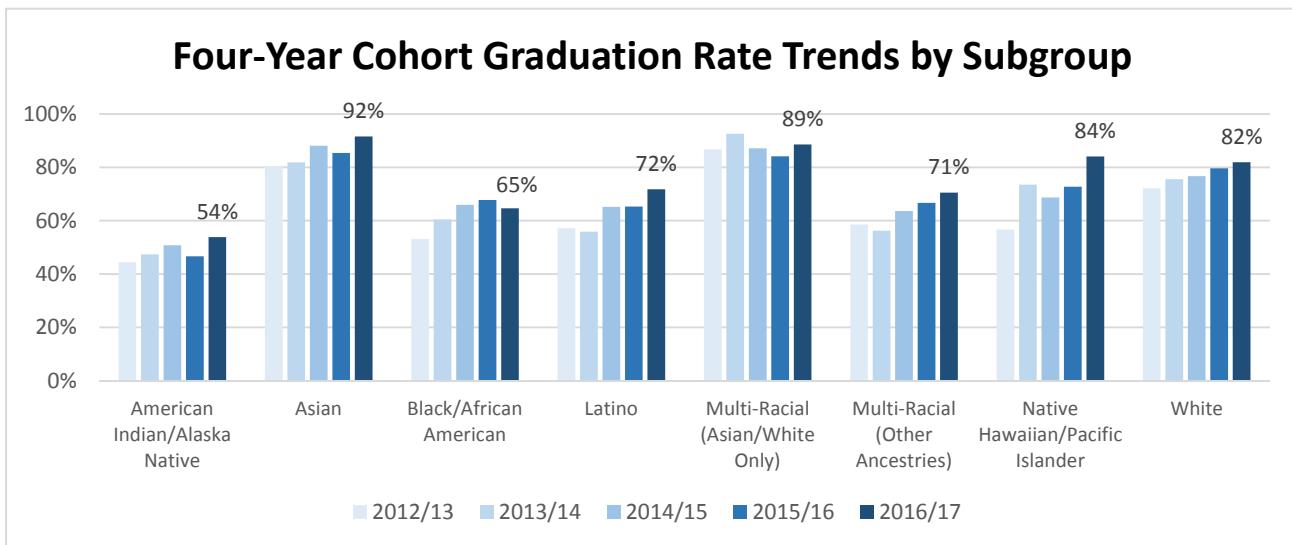
- Effective Educators - Hire and develop diverse, culturally competent educators who hold high expectations of all students. Create opportunities for staff at all schools to collaborate to continually improve their teaching.
- Individual Student Supports – Assess all students regularly to monitor progress. Provide resources to prevent students from falling behind and to intervene with those that do to get back on track. Invest in early childhood education and partnerships with families and community organizations to support the whole student.
- Rigorous, Relevant Programs for All - Raise standards and expectations for all students. Provide access to the same rigorous program requirements to all students, from early childhood through 12th grade. Give teachers flexibility to make the curriculum relevant and accessible to all students so that all can learn and excel.
- Collaboration with Families and Communities – Recognize the importance and take time to build the relationships with families and communities that allow for knowing and supporting the whole student.

Service Efforts and Accomplishments

The District has set three priorities to drive student achievement that have been adopted by the Portland School Board. The priorities are:

- Reading: All students reading to learn by the end of third grade.
- Discipline: Reduce disproportionate exclusionary discipline for our students of color (keeping students in school learning – to read, to stay on track, to graduate).
- Graduation: Increase the graduation and completion rates.





The PPS four-year graduation rate has improved from 54 percent for the Class of 2009 to 78 percent for the Class of 2017, a rate that now exceeds the average graduation rate for the State of Oregon. The rate for historically underserved students is 67 percent. The five-year completion rate, which includes students who need an extra year to meet graduation requirements and/or complete a GED, has also increased over recent years and was 84 percent in FY 2016-17. A large percentage of historically underserved PPS students complete high school in a fifth year, highlighting the need for targeted strategies and supports for these populations.

PPS also tracks the proportion of students who are on-track to graduate (9th grade credits earned). In FY 2016-17, 89 percent of PPS freshmen were on-track to graduate. A similar trend held for historically underserved students.

For FY 2016-17, PPS outperformed Oregon statewide in English Language Arts (ELA) with 59.2 percent of third to fifth graders scoring a 3 or 4, compared with 49.6 percent statewide.

The District has also made progress toward its goal of reducing disproportionate exclusionary discipline for all students of color and reducing exclusionary discipline rates overall. Since 2010, the overall rate of suspensions and expulsion has decreased from 5.7 percent of students to 2.6 percent of students in FY 2016-17.

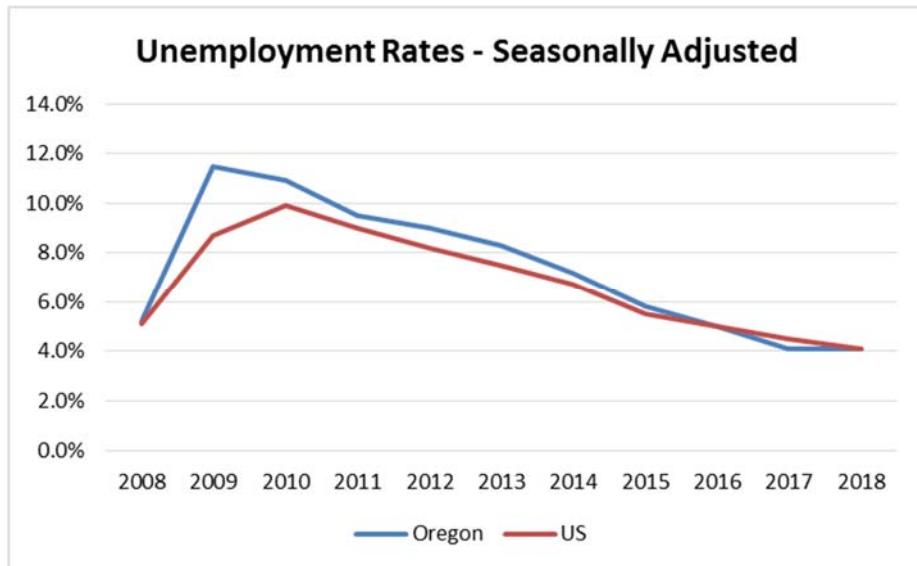
Factors Affecting Financial Condition

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

PPS derives about 75 percent of its general fund revenues from the state school fund and the associated funding distribution formula. Roughly half of the state school fund money comes via the appropriation made by the state legislature, while the other half is the aggregate of the local permanent rate property taxes from school districts across the state. The state budget and the legislative appropriation are highly dependent upon state revenues through income taxes. The outlook for the state economy is a leading indicator for the health of this revenue stream and is, therefore, of great importance for PPS.

The second largest revenue item for PPS is its local option levy which is a property tax based upon assessed values of property in the PPS taxing district, and which is also significantly influenced by real market values of homes within the PPS taxing district.

Oregon State Economy – In February 2018, Oregon's unemployment rate decreased to 4.1 percent, from a high of 10.9 percent in 2009. Since that time, the rate of job growth has slowed and unemployment has remained healthy but unchanged for the past year. The consensus of economists appears to be expectation of continued strength in the economy. Despite this continued economic growth, the state faced a budget shortfall of \$1.7 billion for the current biennium, due to increasing costs related to healthcare and retirement costs and other rising costs related to programs funded by the state.



Source: U.S. Department of Labor – Bureau of Labor Statistics

Oregon Employment by Industry (number of jobs, in thousands)				
Industry	June 2017	June 2018	Year-over-Year Change (number of jobs)	Year-over-Year Change (%)
Government	309.8	293.7	-16.1	-5.2%
Other Services	63.4	65.1	1.7	2.7%
Leisure & Hospitality	206.1	217.0	10.9	5.3%
Education & Health Services	272.7	297.8	25.1	9.2%
Professional & Business Services	243.7	245.6	1.9	0.8%
Financial Activities	99.6	101.9	2.3	2.3%
Information	34.3	33.6	-0.7	-2.0%
Trade, Transportation, and Utilities	350.0	354.8	4.8	1.4%
Manufacturing	189.6	194.6	5	2.6%
Construction	97.6	105.5	7.9	8.1%
Mining and Logging	7.0	6.9	-0.1	-1.4%
Total Nonfarm	1,873.8	1,916.5	42.7	2.3%

Source: Oregon Economy at a Glance - <https://www.bls.gov/regions/west/oregon.htm#eag>

Approximately 42.7 thousand jobs were added over the past year, contributing to workforce growth of 2.3 percent from June 2017 to June 2018. The Education & Health Services sector was the leader with the addition of 25.1 thousand jobs and a distance second was Leisure and Hospitality with the addition of 10.9 thousand jobs. The Government sector showed a sharp decline of over 16 thousand jobs, which offset the majority of the growth in the other sectors.²

Local Economy – Portland and the surrounding metropolitan area has a widely diversified economy. Its centralized location and excellent transportation facilities have established the area as a major distribution point on the West Coast for wholesale trade and high tech exports. During the 2017 calendar year, Education, Health Services, and Hospitality accounted for the largest section of the economy (25 percent).

² United States Department of Labor, Bureau of Labor Statistics, Economy at a Glance – Oregon. <http://www.bls.gov/eag/eag.or.htm>

Portland Real Estate Market – The District's five-year Local Option Levy property tax was renewed in November 2014 for a new five-year term. We are very grateful to the voters in PPS for this support. The local option levy has resulted in increased revenue for PPS. However, the benefit to PPS of this levy is reduced because of Measure 5 property tax limits, known as "compression". Market value of residential property, the critical variable in calculation of compression, declined for several years during the recession. This had the effect of reducing the amount that PPS collects through the local option levy. This resulted in lower direct revenue for PPS from the local option. Compression is calculated on a property by property basis, which makes local option revenue notoriously hard to forecast. Market values for residential property increased modestly in 2012 and more significantly from 2013 through 2018 reversing the trend and unwinding some of the compression.

Long Term Financial Planning and Major Initiatives: For many years, the District did not have adequate funds for capital improvements. In 2012, PPS updated its long-range facilities plan with the assistance of an advisory committee of more than 30 community members that brought a variety of professional perspectives as well as that of teachers, parents, and other interested participants. This committee held a series of community meetings, reaffirmed the need for a capital bond, and laid the foundation for the Board's deliberation on a bond proposal and the criteria for definition of projects to be financed.

In November of 2012, the voters of the district authorized Portland Public Schools to issue up to \$482 million of general obligation bonds to improve school buildings, with 67 percent of voters supporting this capital investment program. This was a landmark accomplishment for PPS after many years of work and we are enormously grateful to the voters in this district for their continued support of PPS and for public education in our district.

The major projects at Roosevelt, Franklin and Faubion schools were completed in the fall of 2017. Grant High School is under construction and will be completed at the start of the 2019/20 school year.

A second \$790 million capital bond was passed by voters in May 2017. This bond will fund renovations and additions at Benson and Madison High Schools, and full rebuilds of Lincoln High School and Kellogg Middle School. Approximately 30 percent of the budgets for these projects comprehensively address health and safety issues.

The School Board has approved the master plan for the new Kellogg Middle School and demolition is now underway. The current project schedule has Kellogg ready for new students at the start of the 2021 school year. The master plan for Madison High School was approved in May 2018 and the work has moved to the design phase; construction is slated to start in the summer of 2019.

This past summer, the first seismically strengthened roof projects began, as well as work on ADA improvements, asbestos abatement and upgrades to fire alarms and fire sprinkler systems.

Based on the latest project budget projections from the modernization/rebuild projects, the program is \$130 million dollars below the amount needed to deliver these projects as envisioned in the initial master planning phase, and will be funded in future bond sales.

PPS remains committed to deliver robust high school and middle school projects as envisioned by the voters, steward bond resources prudently and efficiently and build and maintain the trust of voters in our community.

Charter Schools

Oregon statute provides state funding for charter schools flow through the District for schools that local school boards of education have granted a charter. The District has seven charter schools in operation during the 2017-18 fiscal year. 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.

Independent Audits

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

Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) require state and local governments that expend \$750,000 or more in federal assistance in a year have a special form of audit conducted for that year. Since 1989, Portland Public Schools has issued a separate report on these requirements. Talbot, Korvola & Warwick, LLP have also provided various required reports. Contained in the separately issued Report on Audit Requirements for Federal Awards is the Schedule of Expenditures of Federal Awards, and the required reports on internal controls and compliance with laws and regulations.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the 38th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for this coveted Certificate.

The Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the 38th consecutive year that the District earned this significant award. Receiving the Award is recognition that the District has met the highest standards of excellence in school financial reporting as adopted by ASBO. The District believes that this 2018 CAFR, which will be submitted to ASBO for review, will also conform to these standards.

We wish to express our appreciation to the staff of the Finance Department and members of other District departments who assisted in the preparation of this Comprehensive Annual Financial Report. We further extend our appreciation to the members of the Board of Education, employees of the District, and all of the Portland community whose continued cooperation, support, and assistance have contributed greatly to the achievements of Portland Public Schools.

Respectfully submitted,



Claire Hertz, Deputy Superintendent

SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

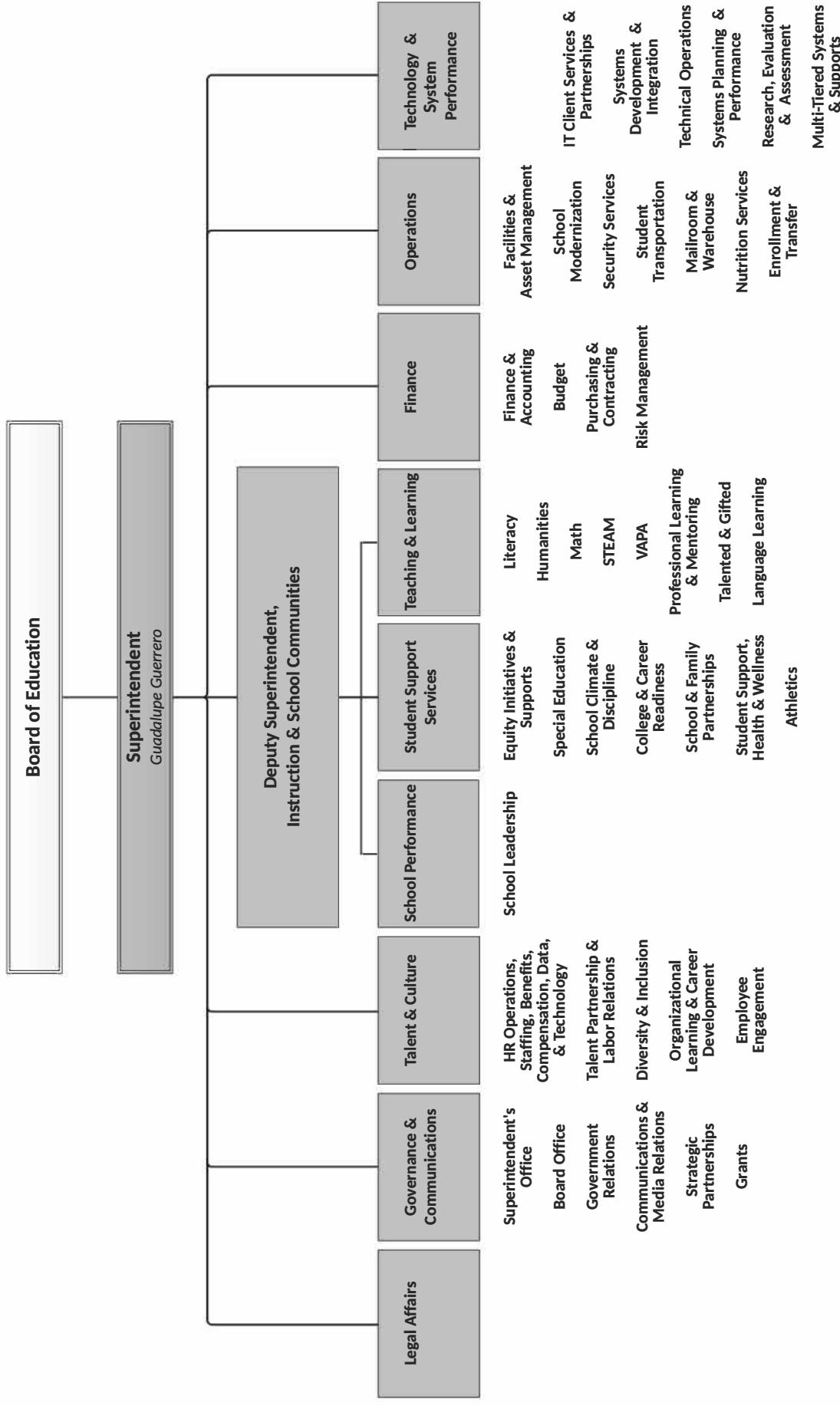
Principal Officials
At June 30, 2018

SCHOOL BOARD

<u>Member</u>	<u>Zone</u>	<u>Term Expires</u>	<u>Phone</u>	<u>Email</u>
Julie Esparza Brown	1	June 30, 2019	503-916-3741	jebrown@pps.net
Paul Anthony	2	June 30, 2019	503-916-3741	panthony@pps.net
Amy Kohnstamm	3	June 30, 2019	503-916-3741	akohnstamm@pps.net
Rita Moore	4	June 30, 2021	503-916-3741	rmoore5@pps.net
Scott Bailey	5	June 30, 2021	503-916-3741	sbailey@pps.net
Julia Brim-Edwards	6	June 30, 2021	503-916-3741	jbrim-edwards@pps.net
Mike Rosen	7	June 30, 2019	503-916-3741	mrosen@pps.net

ADMINISTRATIVE STAFF

Guadalupe Guerrero	Superintendent
Yvonne Curtis	Deputy Superintendent Instruction and School Communities
Brenda Martinek	Chief of Student Support Services
Luis Valentino	Chief Academic Officer
Jim Scherzinger	Interim Chief Financial Officer
Stephanie Soden	Chief of Staff
Travis Paakki	Interim Senior Director of Technology
Kylie Rogers	Chief Human Resources Officer
Liz Large	Interim General Counsel





ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

School District No. 1J, Multnomah County, Oregon

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



Charles E. Peterson, Jr.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

John D. Musso

John D. Musso, CAE
Executive Director



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**School District No. 1J
Multnomah County, Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

Financial



Financial



Talbot, Korvola
& Warwick, LLP

4800 Meadows Road, Suite 200
Lake Oswego, OR 97035

P 503.274.2849
F 503.274.2853

www.tkw.com

INDEPENDENT AUDITOR'S REPORT

Board of Education
School District 1J, Multnomah County, Oregon
Portland, Oregon

REPORT ON THE FINANCIAL STATEMENTS

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018,



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INDEPENDENT AUDITOR'S REPORT (Continued)

and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As discussed in Note 1 to the financial statements, as of and for the year ended June 30, 2018, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statements 67 and 68*, and GASB Statement No. 87, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of previously reported amounts for the year ended June 30, 2017. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, such as Management's Discussion and Analysis, Schedule of Changes in the District's Total OPEB Liability and Related Ratios-RHIS, Schedule of the District's Proportionate Share of Net OPEB Liability (Asset) and District Contributions-RHIA, Schedule of the District's Proportionate Share of Net Pension Liability (Asset) and District Contributions, Schedule of Changes in the District's Total Pension Liability and Related Ratios-Stipend, and Notes to the Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund, Grant Fund, and PERS Rate Stabilization Reserve Fund listed in the Table of Contents as Required Supplementary Information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

INDEPENDENT AUDITOR'S REPORT (Continued)

the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other schedules and combining statements, listed in the Table of Contents as Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying Introductory and Statistical sections, as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

REPORTS ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the District's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 17, 2018, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

By 

Timothy R. Gillette, Partner

Lake Oswego, Oregon
December 17 2018

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

As management of School District No.1J, Multnomah County, Oregon (Portland Public Schools or the District or PPS), we offer readers this narrative overview and analysis of the financial activities of the Portland Public Schools for the fiscal year ended June 30, 2018. 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 1-8 of this report.

FINANCIAL AND BUDGETARY HIGHLIGHTS

New Accounting Standards Implemented

During the year, the District implemented three new accounting standards: 1) Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; 2) GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*; and 3) GASB Statement No. 85, *Omnibus 2017*. The District anticipates no financial impact as a result of implementing GASB 85. The District restated net position as a result of implementing GASB 73 and GASB 75. Restatement amounts are described in Footnote 1-V. Additional information about the District's pension and OPEB obligations and assets is located in Footnotes 11 and 12.

Budget

The District continued to focus on three budget priorities of student learning and achievement, closing the racial achievement gap, and improving student health and safety. Specifically, investment levels were increased in the following areas and in support of the budget priorities:

- High school teaching positions were added;
- All high school athletic directors were increased to full-time positions;
- Focus and priority schools continued to receive additional support; and
- K-5, K-8, and middle schools received funding sufficient to ensure a minimum of one full-time counselor.

Other Highlights

In November 2012, District voters passed an eight-year, \$482 million capital bond measure. This bond is the first phase of a 30-year effort to modernize every school in the district. Construction was completed in summer 2017 for roof repairs and seismic upgrades at two schools, science classroom upgrades at three schools, seismic improvements to one school, and improved disability access at four schools. During the year ended June 30, 2018, Franklin, Roosevelt, and Faubion projects were substantially complete and in use, and the elevator installations at Cesar Chavez and Scott were completed.

Summary of Bond Resources as of June 30, 2018

Authorization	Issued	Unspent Balance
2012	\$ 482,000	\$ 119,358
2017	348,680	321,782
	\$ 830,680	\$ 441,140

At June 30, 2018 there was a balance of \$119.4 million of 2012 bond proceeds (\$62.1 million added during the August 2017 bond sale) available for completion of the projects described above and for continued work towards the modernization of Grant High School.

In May 2017, District voters passed an eight-year, \$790 million capital bond measure. The measure includes the modernization of Madison and Benson high schools, the replacement of Lincoln High school and Kellogg Middle school, and funding to address district wide health and safety projects. The health and safety projects include work that will:

- Reduce or eliminate exposure to hazardous materials;
- Upgrade fire alarm and fire sprinkler systems;
- Improve accessibility for people with disabilities;
- Repair or replace leaking or deteriorating school roofs;
- Upgrade school safety and security; and
- Strengthen schools against earthquakes.

Construction was completed during FY 2017-18 for hazardous materials reduction or elimination at six schools.

Of the \$348.7 million issued to date, \$321.8 million was available as of June 30, 2018 for design and construction of the projects covered by the 2017 bond authority. Design work was initiated or continued in support of:

- Lincoln High School replacement;
- Benson High School modernization; and
- Madison High School modernization.

Construction and/or design progressed regarding:

- Roof replacement and seismic upgrades at ten schools;
- Fire Alarms and sprinkler upgrades at 11 schools;
- Improved disability access at ten schools;
- Hazardous materials reduction or elimination at 92 schools;
- School safety and security upgrades at seven schools;
- Grant High School modernization;
- Replacement of Kellogg school; and
- K-8 to Middle School conversions of three schools.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to 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. In addition to the basic financial statements, this report also contains required and other supplementary information.

Government-Wide Financial Statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 28-31 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. Portland Public Schools' funds can be divided into two categories: governmental funds and proprietary funds. Reports by fund and fund group are shown in the Financial Section of the report beginning on page 32.

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 more narrowly 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. 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 five 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, Grant Fund, PERS Rate Stabilization Reserve Fund, GO Bonds Debt Service Fund, and GO Bonds Fund, all of which are considered major funds. Data from the other 13 governmental-type funds are combined into a single, aggregated presentation titled "Other Governmental Funds". Individual fund data for each of these non-major governmental funds is provided in the form of combined statements elsewhere in this report.

Portland Public Schools adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for each fund individually in either required or supplementary information to demonstrate compliance with the fund level budgets. The basic governmental fund financial statements can be found on pages 32-37 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 related to workers compensation. 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 a major fund of Portland Public Schools. The basic internal service fund financial statements can be found on pages 39-41 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. These notes can be found on pages 42-85 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, Grant Fund, and PERS Stabilization Reserve Fund. In addition, the RSI discloses the District's proportionate share of liabilities/assets and related employer contributions for pension and other post-employment healthcare benefits obligations. This information is on pages 87-100.

Supplementary Information (SI) presented on pages 101-137 includes combining statements for the non-major governmental funds, budgetary comparison schedules for non-major and other funds, and other financial schedules.

Government-Wide Financial Analysis

Analysis of Deferred Outflows and Inflows of Resources

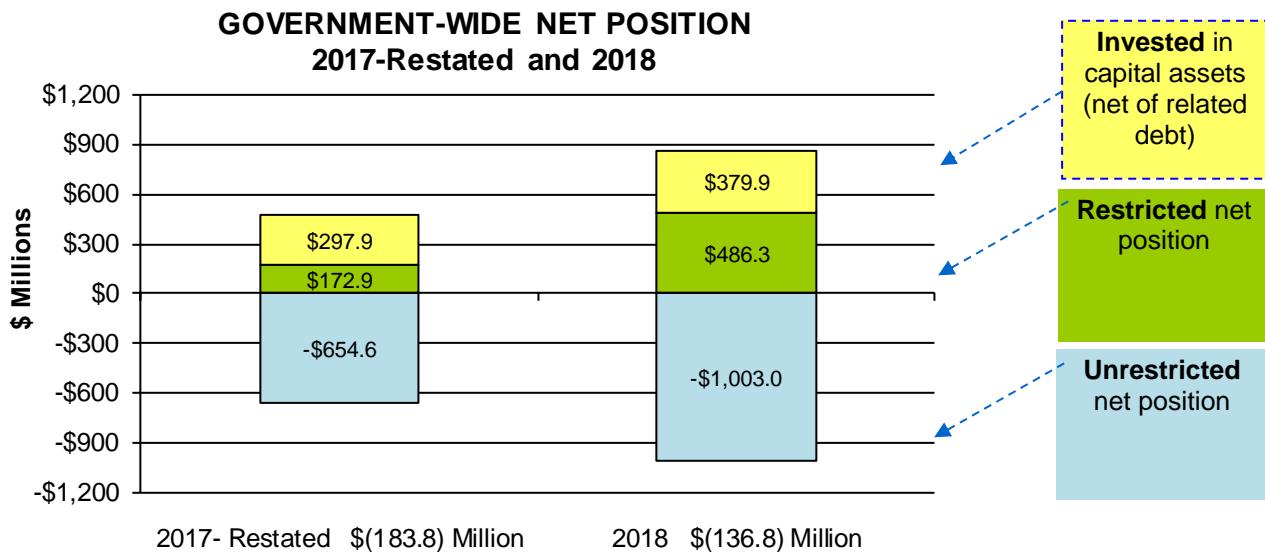
Deferred outflows and deferred inflows are comprised of pension and other post-employment healthcare related balances. The changes in total deferred outflows and deferred inflows were due to differences between actual and expected earnings, changes in assumptions used by outside actuaries, and other factors impacting these balances.

Analysis of Net Position

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

Net Position	Government-wide (thousands)			
	2017-Restated	2018	Change	% change
Assets				
Current or other assets	\$ 365,812	\$ 716,622	\$ 350,810	95.9%
Net capital assets	506,612	594,103	87,491	17.3%
Total Assets	872,424	1,310,725	438,301	50.2%
Deferred Outflows of Resources	163,562	173,727	10,165	6.2%
Liabilities				
Long-term liabilities outstanding	1,025,421	1,312,276	286,855	28.0%
Other liabilities	181,480	278,587	97,107	53.5%
Total Liabilities	1,206,901	1,590,863	383,962	31.8%
Deferred Inflows of Resources	12,845	30,419	17,574	136.8%
Net Position				
Net investment in capital assets	297,914	379,871	81,957	27.5%
Restricted	172,880	486,336	313,456	181.3%
Unrestricted	(654,554)	(1,003,037)	(348,483)	-53.2%
Total Net Position	\$ (183,760)	\$ (136,830)	\$ 46,930	25.5%

Note: 2017 information has been restated to account for GASB 73 and GASB 75 statement changes; refer to footnotes 11 and 12 for additional information



Net Position - 2017 compared to 2018

Net Position is a primary indicator of financial position. The District's liabilities and deferred inflows exceeded assets and deferred outflows by \$136.8 million at June 30, 2018. This represents an increase of \$46.9 million in net position from the prior year and is further discussed on pages 21-23.

Net Investment in Capital Assets (\$379.9 million) has increased by \$82.0 million this year, primarily due to the increases in capital assets related to the capital and bond work discussed on pages 16-17.

Restricted Net Position (\$486.3 million) represents the unspent portions of capital projects funds, debt service funds, and net assets restricted by grants, donations and leases. Restricted Net Position increased by \$313.5 million this year, primarily due to activity in the GO Bonds Fund, which received \$421.9 million in bond proceeds and expended \$97.4 million.

Unrestricted Net Position (negative \$1,003.0 million) is the balancing amount to bring Total Net Position to negative \$136.8 million. *Unrestricted Net Position* decreased \$348.5 million from the prior year. The primary contributor to this decrease is the issuance of bonds and the increases in capital assets mentioned above.

Analysis of Activities

The Statement of Activities presents expenses and related revenues by program, summarizing how the District's net position changed during the most recent fiscal year. The statement reports revenues earned and expenses incurred under the accrual basis of accounting, where changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes, pension amounts, other post-employment benefits (OPEB), incurred but not reported (IBNR) claims, and earned but unused vacation leave).

	Government-wide (thousands)				
	2017-Restated	2018	2018-% of Total	Change	% Change
Revenues					
Program Revenues					
Charges for services	\$ 8,428	\$ 9,153	1.1%	\$ 725	8.6%
Operating grants & contributions	<u>83,300</u>	<u>83,006</u>	<u>10.0%</u>	<u>(294)</u>	<u>-0.4%</u>
Total Program Revenues	<u>91,728</u>	<u>92,159</u>	<u>11.1%</u>	<u>431</u>	<u>0.5%</u>
General Revenues					
Property taxes	292,283	364,749	43.9%	72,466	24.8%
Local option taxes	83,853	88,163	10.7%	4,310	5.1%
County & intermediate sources	17,270	17,662	2.1%	392	2.3%
Construction excise tax	7,542	8,201	1.0%	659	8.7%
State School Fund	207,182	239,804	28.9%	32,622	15.7%
State Common School Fund	6,191	5,155	0.7%	(1,036)	-16.7%
Investment earnings	4,007	3,473	0.4%	(534)	-13.3%
Other	<u>17,501</u>	<u>12,024</u>	<u>1.4%</u>	<u>(5,477)</u>	<u>-31.3%</u>
Total General Revenues	<u>635,829</u>	<u>739,231</u>	<u>88.9%</u>	<u>103,402</u>	<u>16.3%</u>
Total Revenues	<u>727,557</u>	<u>831,390</u>	<u>100.0%</u>	<u>103,833</u>	<u>14.3%</u>
Expenses					
Instruction	380,939	421,311	53.7%	40,372	10.6%
Support services	272,816	283,984	36.2%	11,168	4.1%
Enterprise & community services	20,712	24,218	3.1%	3,506	16.9%
Facilities services	12,672	8,531	1.1%	(4,141)	-32.7%
Interest & fees on long-term debt	39,094	46,416	5.9%	7,322	18.7%
Total Expenses	<u>726,233</u>	<u>784,460</u>	<u>100.0%</u>	<u>58,227</u>	<u>8.0%</u>
Change in net position	1,324	46,930	-34.3%	45,606	3444.6%
Net position - beginning of year-as restated	(185,084)	(183,760)	134.3%	1,324	0.7%
Net position - end of year	<u>\$ (183,760)</u>	<u>\$ (136,830)</u>	<u>100.0%</u>	<u>\$ 46,930</u>	<u>25.5%</u>

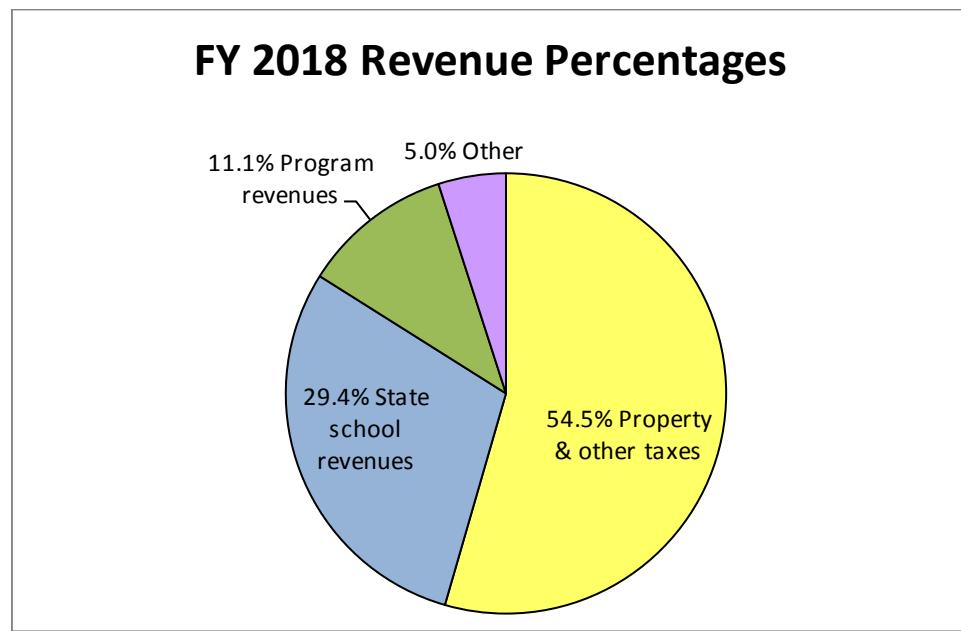
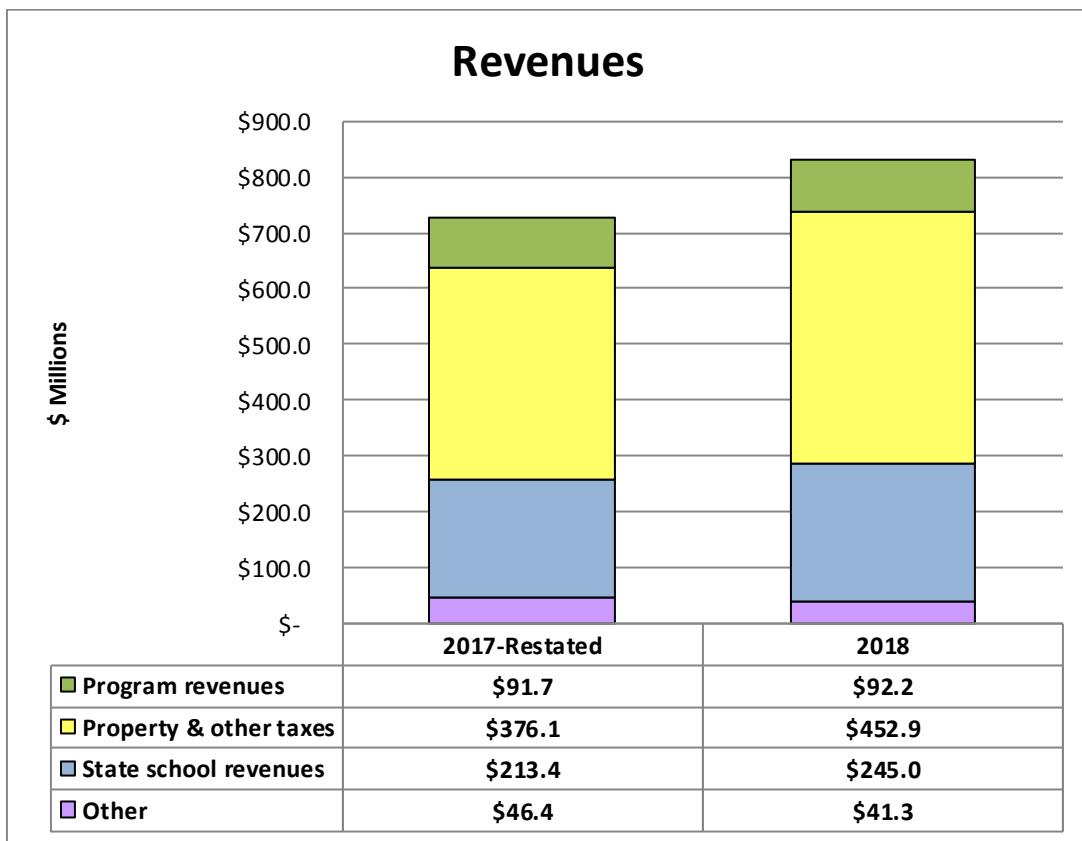
Note: 2017 information has been restated to account for GASB 73 and GASB 75 statement changes; refer to footnotes 11 and 12 for additional information

The **Statement of Activities** of the government-wide financial statements distinguishes functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Portland Public Schools currently does not have any business-type or enterprise fund activities. Additional detail regarding revenue and expense changes are presented below to provide a better understanding of the District's operations in FY 2017-18 compared to FY 2016-17.

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

Revenue and Expenses – FY 2016-17 compared to FY 2017-18

Revenues for FY 2017-18 were \$831.4 million, an increase of \$103.8 million (or 14.3 percent) from prior year revenues of \$727.6 million. With a less than one percent increase in enrollment, property taxes from local sources increased by \$76.8 million, while State School Fund revenues increased \$32.6 million.



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

Current year total expenses were \$784.5 million, which is an 8.0 percent (\$58.2 million) increase over the prior year. Instruction increased by 10.6 percent or \$40.4 million and is largely driven by increases in wages, pension and health care cost. Included in this amount is a one-time, retroactive payment to members of the Portland Association of Teachers collective bargaining unit as a part of the agreed-upon contract settlement. Support Services expenses increased \$11.2 million (4.1 percent) over the prior year, which was primarily driven by increases in costs for transportation, bond issuance, maintenance/custodial, and student supports for social work, discipline, and guidance. Instruction and support services together accounted for 90 percent of the District's total expenses in FY 2017-18, which is comparable to the 90 percent spent in FY 2016-17 on these same categories.

Financial Analysis of the District's Major Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

General Fund. The General Fund is the major operating fund of the District. The fund's ending fund balance increased by \$18.2 million to \$38.3 million for FY 2017-18. The General Fund saw an increase of \$50.4 million in revenue, largely due to increases in property taxes and State School Fund. Instructional expenditures increased \$15.3 million in total, largely driven by increases in wages and benefits. Support services costs increased \$10.3 million, due primarily to increases in staff salaries, increases in contracted services to cover staff vacancies, and computer software and equipment purchases.

Grant Fund. Grant fund revenue was flat year over year, staying steady at \$59.8 million, with \$56.6 million attributable to federal and state grants. Funding for Title I, other title programs, school improvement programs, college and career preparation programs and other state and federal grants targeted to provide additional services to students disadvantaged by poverty, including those homeless or migrant, totaled \$18.4 million. Funding of \$26.1 million was received for IDEA, special education, early vocabulary intervention and long-term care and treatment/DART grants and contracts. Head Start funding totaled \$10.1 million. Other public and private entity awards and other federal and state sources accounted for \$5.2 million. Total Grant Fund expenditures were essentially flat by appropriation group.

PERS Rate Stabilization Reserve Fund. The PERS Rate Stabilization Reserve Fund currently has a dedicated revenue stream in the form of property taxes that have been committed at a rate of 0.11 percent. Current year revenues from property taxes and investment earnings were \$0.4 million. The PERS Rate Stabilization Reserve Fund currently has an ending fund balance of \$17.2 million. The Board also established conditions under which the Fund may be used that are consistent with the Fund's original objectives: (1) upon PERS rate increases per specified limits, and (2) upon PERS UAL debt service increase, also per specified limits.

GO Bonds Debt Service Fund. The GO Bonds Debt Service Fund was established to account for tax revenues and debt service payments related to bond measures approved by voters. The fund's ending fund balance increased by \$0.9 million to \$4.2 million, because property tax collections exceeded budgeted estimates.

GO Bonds Fund. The GO Bonds Fund was established to account for the debt proceeds, revenues, and capital expenditures related to bond measures approved by voters. The GO Bonds Fund currently has an ending fund balance of \$441.1 million, which is an increase of \$324.3 million from the prior year. This increase is mainly due to the net result of a bond issuance of \$410.8 million with \$11.1 million of bond premiums, offset by \$97.4 million of facility construction. The GO Bonds Fund shows current year

negative investment earnings amount of \$1,077. This amount is a result of an accounting requirement to adjust investment values to their current market values at the fiscal year end, including those investments that will be held to maturity, and for which no loss will eventually be incurred. The District intends to hold all investments to maturity and, therefore, does not anticipate realizing any investment losses.

Budgetary Highlights for the General Fund

The FY 2017-18 General Fund budget was adjusted twice during the year. The Board approved budget changes can be briefly summarized as follows:

- On October 3, 2017 by way of Resolution No. 5521, the Board voted to amend the annual budget for the FY 2017-18. Amendment No. 1 reconciled Fund 420 - the Full Faith and Credit Fund, increasing the budget by \$7.36 million to reflect carryover amounts from FY 2016-17 to FY 2017-18 for specifically authorized capital projects; adjusted program allocations in Fund 101 – the General Fund, to accurately reflect intended expenditures with appropriation levels adjusted as needed; and corrected technical errors made during budget development funded through the use of \$3.78 million of the operating contingency in the General Fund.
- On June 12, 2018 by way of Resolution No. 5661, the Board voted to amend the annual budget for the FY 2017-18. Amendment No. 2 shifted \$0.30 million in appropriations in Fund 299 – the Dedicated Resource Fund, to allow a full transfer of proceeds of pcard and e-payable rebates to the General Fund and permit spending donations received for construction of playground facilities; shifted \$2.77 million in appropriations in Fund 450 – General Obligation Bond Fund, to reflect funding of bond issuance costs; and adjusted \$6.60 million in program allocations in Fund 101 – the General Fund, to more accurately reflect intended expenditures with appropriation levels adjusted as needed.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets includes land, building and improvements, vehicles and equipment, and construction in progress. As of June 30, 2018, the District had invested \$594.1 million in capital assets, net of depreciation and amortization, as shown in the following table:

Capital assets	Government-wide (thousands)			
	2017	2018	change	% change
Land	\$ 9,174	\$ 9,174	\$ -	0.0%
Buildings and site improvements	465,109	728,258	263,149	56.6%
Vehicles and equipment	55,335	35,756	(19,579)	-35.4%
Construction in progress	250,500	92,128	(158,372)	-63.2%
	780,118	865,316	85,198	10.9%
less accumulated depreciation	(273,505)	(271,213)	2,292	-0.8%
Capital assets, net of depreciation	<u>\$ 506,613</u>	<u>\$ 594,103</u>	<u>\$ 87,490</u>	<u>17.3%</u>

District-wide, capital assets increased by \$85.2 million, along with recognizing \$2.3 million less depreciation and amortization than in FY 2016-17. Capital Bond work accounted for most of the increase. Further explanation of capital assets is shown in Note 7 of the financial statements.

Debt Administration. At the end of the current fiscal year, the District had total debt outstanding of \$970.1 million (excluding premiums and discounts), which is comprised of limited tax pension and refunding bonds (\$360.2 million) and debt backed by the full faith and credit of the District (\$609.9 million). During FY 2017-18 the District increased debt by issuing GO Bonds, and reduced debt by making scheduled debt service payments of \$109.9 million. Further explanation of debt is shown in Note 10 of the Financial Statements.

Outstanding Debt	Government-wide (thousands)				
	2017	Increases	Decreases	2018	% change
Limited tax pension and refunding bonds	\$ 372,250	\$ -	\$ (12,078)	\$ 360,172	-3.2%
Other debt	296,827	410,840	(97,796)	609,871	105.5%
Total Long Term Debt	669,077	410,840	(109,874)	970,043	
Unamortized Bond Premium/(Discount)	35,331	11,060	(2,619)	43,772	23.9%
Total Long Term Debt, net of Premium (Discount)	\$ 704,408	\$ 421,900	\$ (112,493)	\$ 1,013,815	43.9%

State statutes limit the amount of general obligation debt a school district may issue based on a formula for determining the percentage of the Real Market Value of all taxable properties within the District. The District's general obligation bond debt capacity is 7.95 percent of Real Market Value or \$9.0 billion. More information is available in Statistical Section Schedule 12 on page 157 of this report.

OPERS is Oregon's public pension system. Under the pension plan, the actuarial liability is the present value of the plan's current and expected benefits payments (plus administrative expenses). If the fund's actuarial liability exceeds its assets, then the fund has a shortfall that is known as a Net Pension Liability ("NPL"). OPERS requires that school Districts pay (or "amortize") this NPL over a period of 20 years (Tier One / Tier Two portion) and 10 years (Retiree Health Insurance Account portion). Since interest rates had been at historic lows, an opportunity to benefit from lowered interest was created.

The District participated in the Oregon School Board Association ("OSBA") sponsored pooled pension obligation bond program, in which the proceeds from bond issues were put into a PERS "side account" and used to offset a portion of the OPERS Net Pension Liability (NPL). The reduced contribution rate charged for the NPL that has resulted from the District's decision to borrow, has saved an estimated \$25.7 million in the current year; savings that the District has used to provide more instruction and support services. Over time, this reduction in rates could dampen the effects of future increases in the District's NPL. As long as OPERS' investment returns exceed the costs of servicing the bonds, the benefits of this program will exceed the costs. The District's NPL was reduced but was not eliminated by these borrowing transactions. Statutes, legislation, regulations, and rules regarding OPERS can change at any time.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The primary focus of the FY 2018-19 budget development was to ensure the General Fund is aligned with priorities necessary to complete the first phase of a major transformation of the district. In the second year of the biennium, confidence in revenue has increased, and the District enters the new budget year with a new leadership team and the focus, energy, and drive to take on complex initiatives necessary to usher the district into a new era.

The budget was created in alignment with the following five priorities:

- Increased investments in core instructional programming;
- Implementation of an equitable school staffing model;
- Advancing racial equity, workforce diversity, and inclusive practices;
- Ensuring the safety and well-being of our students; and
- Establishing a vision, development of a strategic plan, and a focus on system performance.

The budget focuses additional resources in the classroom through increases in both school staffing and in teacher pay. Additionally, it aligns resources to support a better-defined instructional framework and professional development for educators and leaders. It includes funding to develop clear scope and

sequence across content areas and addresses the need for assessments to inform instruction and learning opportunities for educators. The budget includes the implementation of a new, more equitable school staffing model that places resources in areas where they are most needed, and with additional equity funding to better support underserved students and school communities. In addition to the resources funding through the 2017 bond, this budget increases funding to improve the learning environment with funding to enhance custodial staff. It also includes the establishment of a new Department of Student Support Services and key positions and training to ensure the safety and well-being of our students. Lastly, the budget includes specific investment to develop a vision for the District with the broad input from community members.

The Oregon state economy is continuing to improve, however the state is adding jobs at a slower pace than the rates seen in 2014 and 2015. In June, 2018 Oregon's unemployment rate was keeping steady at 4 percent, which is consistent with the rates seen over the last 12 months¹. The consensus of economists appears to be an expectation of continued gains in the economy. Approximately 50.9 thousand jobs were added over the past year, contributing to workforce growth of 2.8 percent from June 2017 to June 2018. Despite this continued economic recovery, the state is facing a budget challenges due to rising costs related to Medicaid, retirement costs, and other rising costs related to programs funded by the state.

Real estate market values in the Portland area are expected to continue to increase, along with the increased density of housing, which will continue to drive increases in local option revenue. Without the generous support of local voters and taxpayers the fiscal situation for PPS would be significantly more challenging and the ability to provide the education that our students deserve would be even more seriously compromised.

Enrollment for the District as of October 2017 was 49,557. For budgeting purposes, and based on the November 2018 enrollment forecast prepared by the Portland State University Population Research Center, District K-12 student enrollment is projected to increase by about 400 students or less than 1 percent in the 2018-19 school year. This trajectory is expected to persist over the next 15 years, reaching 51,000 to 56,000 by 2031-2032.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Portland Public Schools' finances for all those with an interest in the District's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Finance 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: <http://www.pps.net/Page/2184>.

¹ United States Department of Labor, Bureau of Labor Statistics, Economy at a Glance – Oregon.
<http://www.bls.gov/eag/eag.or.htm>

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Statement of Net Position

June 30, 2018

(amounts expressed in thousands)

	Governmental Activities
ASSETS	
Cash and cash equivalents-unrestricted	\$ 106,431
Cash and cash equivalents held by fiscal agents	5,101
Investments	548,676
Accounts and other receivables	33,288
Property taxes and other taxes receivable	20,145
Inventories	776
Prepaid items	884
Noncurrent assets:	
Net OPEB asset-RHIA	1,321
Capital assets, not depreciated:	
Land	9,174
Construction in progress	92,128
Capital assets, net of accumulated depreciation:	
Buildings and capital improvements	483,543
Vehicles and equipment	9,258
Total assets	1,310,725
DEFERRED OUTFLOWS OF RESOURCES	
OPEB contributions subsequent to measurement date	9,571
Pension changes in employer proportion	93,946
Pension differences between employer contribution and proportionate share of contributions	663
Pension differences between expected and actual experience	13,701
Pension differences due to changes in assumptions	51,753
Pension differences between actual and expected earnings	2,919
Pension contributions subsequent to measurement date	1,174
Total deferred outflows of resources	173,727

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Statement of Net Position (continued)

June 30, 2018

(amounts expressed in thousands)

LIABILITIES

Accounts payable	\$ 56,073
Accrued wages and benefits payable	76,580
Unearned revenues	1,691
Claims payable	5,894
Non-current liabilities:	
Due within one year	
Accrued compensated absences	2,236
Bonds	117,239
Accrued bond interest payable	18,874
Due in more than one year	
Accrued compensated absences	1,119
Bonds	896,576
Accrued bond interest payable	53,739
Net pension liability- PERS	283,305
Total pension liability-stipend	6,753
Total OPEB liability-RHIS	70,784
Total liabilities	<u>1,590,863</u>

DEFERRED INFLOWS OF RESOURCES

OPEB differences due to changes in assumptions	2,497
OPEB differences between actual and expected earnings	611
OPEB changes in employer proportion	24
Pension differences due to changes in assumptions	116
Pension differences between employer contribution and proportionate share of contributions	27,171
Total deferred inflows of resources	<u>30,419</u>

NET POSITION

Net investment in capital assets	379,871
Restricted for:	
Capital projects	461,316
Grants	9,171
Student body activities	4,369
Nutrition services	4,922
Debt service	6,558
Unrestricted (deficit)	(1,003,037)
Total net position	<u>\$ (136,830)</u>

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



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Statement of Activities

For the year ended June 30, 2018

(amounts expressed in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 421,311	\$ 406	\$ 57,116	\$ (363,789)	
Support services	283,984	4,741	22,871	(256,372)	
Enterprise and Community Services	24,218	4,006	3,019	(17,193)	
Facilities Services	8,531	-	-	(8,531)	
Interest and fees on long-term debt	46,416	-	-	(46,416)	
Total governmental activities	<u>\$ 784,460</u>	<u>\$ 9,153</u>	<u>\$ 83,006</u>	<u>(692,301)</u>	
GENERAL REVENUES					
Property taxes levied for general purposes				248,281	
Property taxes levied for debt service				116,468	
Construction excise tax				8,201	
Local option taxes levied for general purposes				88,163	
State School Fund - general support				239,804	
State Common School Fund - general support				5,155	
County and intermediate sources - general support				17,662	
Investment earnings				3,473	
Other				<u>12,024</u>	
Total general revenues				<u>739,231</u>	
Change in net position				<u>46,930</u>	
Net position - beginning of year				(136,309)	
Restatements (see note 1)				<u>(47,451)</u>	
Net position - beginning of year as restated				<u>(183,760)</u>	
Net position - end of year				<u>\$ (136,830)</u>	

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Governmental Funds
Balance Sheet
June 30, 2018
(amounts expressed in thousands)

	General Fund	Grant Fund	PERS Rate Stabilization Reserve Fund
ASSETS			
Cash and cash equivalents-unrestricted	\$ 36,108	\$ -	\$ 3,319
Cash and cash equivalents held by fiscal agents	4,589	-	-
Investments	67,894	-	13,851
Prepaid items	103	-	-
Accounts receivable	4,542	23,099	39
Property taxes and other taxes receivable	17,303	-	-
Due from other funds	16,448	-	-
Inventories	240	-	-
Total assets	<u>\$ 147,227</u>	<u>\$ 23,099</u>	<u>\$ 17,209</u>
LIABILITIES			
Accounts payable	\$ 20,429	\$ 2,577	\$ -
Accrued wages and benefits	72,154	3,495	-
Due to other funds	743	16,448	-
Unearned revenues	-	579	-
Total liabilities	<u>93,326</u>	<u>23,099</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	15,619	-	-
Total deferred inflows of resources	<u>15,619</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	343	-	-
Restricted	-	-	-
Committed	-	-	17,209
Assigned	-	-	-
Unassigned	37,939	-	-
Total fund balances	<u>38,282</u>	<u>-</u>	<u>17,209</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 147,227</u>	<u>\$ 23,099</u>	<u>\$ 17,209</u>

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

GO Bonds Debt Service Fund		GO Bonds Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,114	\$ 512	\$ 12,818	\$ 47,934	\$ 102,293
1,090	-	449,904	9,988	542,727
-	478	-	3	584
-	1,020	-	4,554	33,254
2,842	-	-	-	20,145
-	-	-	743	17,191
-	-	-	536	776
\$ 6,558	\$ 464,220	\$ 63,758	\$ 722,071	
\$ -	\$ 23,018	\$ 9,858	\$ 55,882	
-	62	827	76,538	
-	-	-	17,191	
-	-	1,112	-	1,691
-	23,080	11,797	151,302	
2,329	-	-	17,948	
2,329	-	-	17,948	
-	478	539	1,360	
4,229	440,662	39,115	484,006	
-	-	1,907	19,116	
-	-	10,400	10,400	
-	-	-	37,939	
4,229	441,140	51,961	552,821	
\$ 6,558	\$ 464,220	\$ 63,758	\$ 722,071	

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



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2018
(amounts expressed in thousands)

Fund balances - governmental funds (page 33)	\$ 552,821
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are not financial resources and are not reported in governmental funds.	594,103
Long-term taxes and other receivables are not available to pay for current-period expenditures and therefore are a deferred inflow of resources in the governmental funds.	17,948
Assets, deferred outflows, liabilities and deferred inflows of the internal service funds are included in activities in the Statement of Net Position.	5,767
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(1,013,815)
Actuarially determined pension activity is not reported in the governmental funds.	(153,092)
Accrued compensated absences are reported when earned as a liability in the Statement of Net Position while in the governmental funds only the unpaid balance of reimbursable unused vacation is reported as a liability.	(3,355)
Accrued property and liability insurance claims incurred but not reported are not due and payable in the current period and therefore are not reported in the governmental funds.	(1,610)
Accrued interest payable is not recognized as a liability in the governmental funds.	(72,613)
Actuarially determined OPEB activity is not reported in the governmental funds.	(62,984)
Net position of governmental activities (page 29)	\$ (136,830)

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, 2018
(amounts expressed in thousands)

	General Fund	Grant Fund	PERS Rate Stabilization Reserve Fund
REVENUES			
Property and other taxes	\$ 252,921	\$ -	\$ 273
State School Fund	239,804	-	-
State Common School Fund	5,155	-	-
Federal and state support	22	56,647	-
Local option taxes	89,663	-	-
County and intermediate sources	13,269	2,493	-
Charges for services	3,900	-	-
Extracurricular activities	-	-	-
Investment earnings	2,869	-	123
Other	5,211	638	-
Total revenues	<u>612,814</u>	<u>59,778</u>	<u>396</u>
EXPENDITURES			
Current:			
Instruction	339,412	33,888	-
Support services	248,783	22,871	-
Enterprise and community services	2,160	3,019	-
Facilities acquisition and construction	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>590,355</u>	<u>59,778</u>	<u>-</u>
Excess (deficit) of revenues over expenditures	<u>22,459</u>	<u>-</u>	<u>396</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,006	-	-
Transfers out	(5,328)	-	-
Proceeds from the sale of capital assets	41	-	-
Issuance of debt	-	-	-
Premium on issuance of debt	-	-	-
Total other financing sources (uses)	<u>(4,281)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	18,178	-	396
Fund balances - beginning of year	<u>20,104</u>	<u>-</u>	<u>16,813</u>
Fund balances - end of year	<u>\$ 38,282</u>	<u>\$ -</u>	<u>\$ 17,209</u>

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

GO Bonds Debt Service Fund	GO Bonds Fund	Other Governmental Funds	Total Governmental Funds
\$ 116,183	\$ -	\$ 8,201	\$ 377,578
-	-	-	239,804
-	-	-	5,155
-	-	13,102	69,771
-	-	-	89,663
-	-	1,901	17,663
-	-	52,936	56,836
-	-	7,304	7,304
775	(1,077)	702	3,392
-	767	8,855	15,471
116,958	(310)	93,001	882,637
-	-	13,675	386,975
-	3,219	3,885	278,758
-	-	17,782	22,961
-	94,146	18,897	113,043
93,830	-	16,044	109,874
22,200	-	35,398	57,598
116,030	97,365	105,681	969,209
928	(97,675)	(12,680)	(86,572)
-	-	5,991	6,997
-	-	(1,669)	(6,997)
-	44	655	740
-	410,840	-	410,840
-	11,060	-	11,060
-	421,944	4,977	422,640
928	324,269	(7,703)	336,068
3,301	116,871	59,664	216,753
\$ 4,229	\$ 441,140	\$ 51,961	\$ 552,821

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, 2018
(amounts expressed in thousands)

Net change in fund balances - total governmental funds (page 37) \$ 336,068

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 capital outlays in the current period of \$119,403 (inclusive of proceeds not recorded in governmental funds due to timing) exceeded depreciation and disposals of \$31,913.

87,490

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 inflow of resources related to property taxes.

(4,535)

The Internal Service Fund is used to account for all costs incurred for claims arising from workers' compensation losses. The primary funding sources are charges to other funds. This amount is the change in net position for the year.

1,395

Incurred but not reported property and liability insurance claims expenses are reported in the Statement of Activities but they are not reported as expenditures in the governmental funds.

1,047

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 position. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued. Premium amounts are deferred and amortized in the Statement of Activities.

(309,407)

Pension actuarial liability activity is reported in the Statement of Activities but not in the governmental funds.

(78,627)

Other Post Employment Benefits actuarial liability activity is reported in the Statement of Activities but not in the governmental funds.

4,993

Change in compensated absences

(58)

Change in bond interest payable

8,564

Change in net position of governmental activities (page 31)

\$ 46,930

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 Position
June 30, 2018
(amounts expressed in thousands)

ASSETS

Current Assets

Cash and cash equivalents	\$ 4,138
Investments	5,949
Accounts and other receivables	34
Prepaid items	300
Noncurrent Assets	
Net OPEB asset-RHIA	1
Total assets	<u>10,422</u>

DEFERRED OUTFLOWS OF RESOURCES

OPEB contributions after measurement date	6
Pension contributions after measurement date	1
Pension changes in employer proportion	60
Pension differences between expected and actual experience	9
Pension differences between actual and expected earnings	2
Pension differences due to changes in assumptions	33
Total deferred outflows of resources	<u>111</u>
Total assets and deferred outflows	<u>10,533</u>

LIABILITIES

Current Liabilities

Accounts payable	191
Accrued wages and benefits	42
Claims payable	4,284
Total current liabilities	<u>4,517</u>

Long-term Liabilities

Total OPEB liability- RHIS	45
Net pension liability- PERS	181
Total pension liability-stipend	4
Total long term liabilities	<u>230</u>
Total liabilities	<u>4,747</u>

DEFERRED INFLOWS OF RESOURCES

OPEB differences due to changes in assumptions	2
Pension differences between employer contribution and proportionate share of contributions	17
Total deferred inflows of resources	<u>19</u>
Total liabilities and deferred inflows of resources	<u>4,766</u>

NET POSITION

Unrestricted	<u>\$ 5,767</u>
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The notes to the basic financial statements are an integral part of this financial statement.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Proprietary Fund - Internal Service Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the year ended June 30, 2018
(amounts expressed in thousands)

OPERATING REVENUES

Charges for services	\$ 3,580
Insurance recoveries	9
Total operating revenues	<u>3,589</u>

OPERATING EXPENSES

Salaries and benefits	153
Materials and services	303
Claims expense	<u>2,022</u>
Total operating expenses	<u>2,478</u>
Operating income	<u>1,111</u>

NON-OPERATING REVENUES

Federal and state support	203
Investment earnings	81
Total non-operating revenues	<u>284</u>

Change in net position	1,395
Net position - beginning of year	4,622
Restatement (see note 1)	<u>(250)</u>
Net position - beginning of year as restated	<u>4,372</u>
Net position - end of year	<u>\$ 5,767</u>

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Proprietary Fund - Internal Service Fund
Statement of Cash Flows
For the year ended June 30, 2018
(amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from interfund services provided and used	\$ 3,580
Cash payments for salaries and benefits	(317)
Cash payments for goods and services	(388)
Cash payments for claims	<u>(2,126)</u>
Net cash provided by (used for) operating activities	<u>749</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash subsidy from state return to work reimbursements	203
Net cash provided by (used for) noncapital financing activities	<u>203</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(1,944)
Investment earnings	81
Net cash provided by (used for) investing activities	<u>(1,863)</u>
Net increase (decrease) in cash and cash equivalents	(911)
Cash and cash equivalents at beginning of year	5,049
Cash and cash equivalents at end of year	<u>\$ 4,138</u>

RECONCILIATION OF OPERATING INCOME TO

CASH FROM OPERATING ACTIVITIES

Operating income	\$ 1,111
Adjustments to reconcile operating income to net cash from operating activities:	
Increase in prepaid items	(150)
Increase in accounts and other receivables	(33)
Decrease in accounts and other payables	(85)
Increase in claims payable	70
Increase in accrued wages and benefits	6
Increase in pension related deferred outflows	(8)
Increase in pension liability and pension related deferred inflows	58
Increase in OPEB liability and OPEB related deferred inflows	45
Decrease in net other post employment benefits obligation	<u>(265)</u>
Total adjustments	<u>(362)</u>
Net cash provided by operating activities	<u>\$ 749</u>

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

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District. 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 is 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 expenses contain an element of indirect cost.

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

A. Government-wide and fund financial statements - continued

Measurement focus, basis of accounting, and financial statement presentation – continued

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 Fund – 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 or policy of the District and/or the laws of Oregon.

Grant Fund – Accounts for revenues and expenditures that are restricted for specific projects. Principal revenue sources are federal, state and local funding.

PERS Rate Stabilization Reserve Fund – Accounts for reserves that will be used to mitigate the budgetary impact of significant employer personnel benefit rates fluctuations when they occur in future OPERS or PERS UAL charges. Disbursements from this fund are made in accordance with resolution 2679 by the District's Board. Revenues are an allocation of property taxes.

GO Bonds Debt Service Fund – Accounts for the repayment of principal and interest for debt incurred using funds borrowed through the issuance of General Obligation bonds.

GO Bonds Fund – Accounts for General Obligation bond proceeds and expenditures for specifically authorized projects.

Additionally, the District reports the following internal service fund:

Self-Insurance Fund – Accounts for all workers' compensation activities. The activity and balances of this fund are included in the governmental activities in the government-wide financial statements. The primary resources are charges to other funds, investment earnings and insurance recoveries. All revenues except for investment revenues and transfers in are considered operating revenue. Operating expenses include salaries, benefits, materials, premium costs, claims, and other related costs.

The District reports the following non-major governmental fund types:

Special Revenue Funds – Accounts for certain revenues that are restricted to expenditures for designated purposes.

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

Capital Projects Funds – Accounts for financial resources to be used for the acquisition of property, technology, construction or renovation of facilities.

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 service levels for Instruction, Support Services, Enterprise and Community Services, and Facilities Acquisition and Construction. Debt service expenditures in the General Fund are generally appropriated within the Support Services level of control. 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 10.00 percent 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 10.00 percent 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 two supplemental budgets during budget year 2018.

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. All encumbrances expire at year-end.

D. Cash and Cash Equivalents and Investments

For the purpose of the Statement of Cash Flows, the Statement of Net Position 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.

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

E. Property Taxes

Uncollected real and personal property taxes are reflected on the Statement of Net Position 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

Inventories of school operating supplies, maintenance supplies, and food and other cafeteria supplies are stated at cost using the weighted average method. A portion of the inventory consists of commodities purchased from the United States Department of Agriculture (USDA). The commodities are recorded at wholesale market value as provided by the USDA. The District accounts for the inventory based on the consumption method. Under the consumption method, inventory is recorded when purchased and expenditures are recorded when inventory items are used. Donated foods consumed during the year are reported as revenues and expenditures. The amount of unused donated food at year-end is immaterial. Prepaid insurance is related to capital bond construction activity. Prepaid assets are recognized as expenses/expenditures based on the consumption method when their use benefits the District.

G. Capital Assets

Expenditures for capital assets, which include land, buildings and site improvements, construction in progress, and vehicles and equipment are reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance by function. The District defines capital assets as assets with an initial cost exceeding the threshold amounts shown in the schedule below, and an estimated useful life in excess of one year. District capital assets are recorded at historical cost, or estimated historical cost if purchased or constructed, and depreciated or amortized, where appropriate, using the straight-line method. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are recorded as construction in progress and capitalized as projects are completed. When the District determines that an asset has been impaired as defined by GASB Statement No. 42 it adjusts the asset value. Under the pronouncements of GASB Statement No. 51 the District capitalizes intangible asset costs, such as costs relating to internally developed computer software. The intangible asset costs are classified as equipment.

Major asset classifications, useful lives and capitalization thresholds are as follows:

Asset	Capitalization threshold	Useful lives, years
Buildings	\$ 25	100
Land & site improvements	25	5 to 25
Equipment	5	5 to 15
Vehicles	5	5 to 8

H. Grant Accounting

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

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

I. Insurance

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

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's insurance deductibles and policy limits are as follows:

	Deductibles	Excess Coverage per Occurrence
General and Automobile Claims	\$ 500	\$ 5,000
Property and Fire Claims	1,000	250,000
Earthquake Claims	250	50,000
Flood Claims	1,000	75,000
Workers' Compensation Claims	1,000	25,000

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

J. Compensated Absences

Depending on years of service and union membership, employees can earn annual vacation leave between 10 days and 22 days per year. Administrators earn 22 days of annual vacation leave. Employees are allowed to carry over twice their maximum yearly earned balances from one fiscal year to another. All outstanding vacation leave is payable upon resignation, retirement, or death. Compensated absences are recognized as liabilities in the District's proprietary fund. Compensated absences are not reported as liabilities in the governmental funds because they have not "matured," meaning they are not yet payable to the employee.

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

K. Receivables and Payables

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

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

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

L. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations including accrued compensation and claims are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as outflows of resources (expenses) in the period incurred.

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 District employees participate in Oregon's Public Employees Retirement System (OPERS). Contributions are made as required by the plan and are recorded as expense/expenditures. Pension benefits are explained in Note 11.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of OPERS and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized by OPERS when due and payable in accordance with the benefit terms. OPERS investments are reported at fair value.

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. This plan is accounted for under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension Plans*.

The District also provides a single-employer defined benefit early retirement program (Note 11-B). The stipend benefit is actuarially determined, is reflected as a long-term liability in the government-wide financial statements, and reflects the present value of expected future payments. This plan is accounted for under the provisions of GASB Statement No. 73.

N. Other Post-Employment Benefits

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

The Retirement Health Insurance Subsidy (RHIS) is a health and welfare program the District provides for retirees. The plan is actuarially determined, is reflected as a long-term liability in the government-wide financial statements, and reflects the present value of expected future payments. The net other post-employment benefits liability and expenditure in the governmental fund financial statements are limited to amounts that become due and payable as of the end of the fiscal year, and are reported on the pay-as-you-go basis.

Certified employees who have met the requirements for age and years of service with the District are eligible for early retirement benefits (Note 11-B), which includes other post-employment benefits as explained in Note 12.

Both plans are accounted for under the provisions of GASB Statement No. 75.

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

O. Net Position

Net position represents the difference between the District's total assets and deferred outflows and total liabilities and deferred inflows. District net position currently has three components:

Net investment in capital assets represents capital assets plus unspent bond proceeds less accumulated depreciation and outstanding principal of capital asset related debt.

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

Unrestricted net position represents net position that does not meet the definition of "restricted" or "net investment in capital assets".

P. Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for Deferred Outflows of Resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position reports a separate section for Deferred Inflows of Resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Q. Management Estimates

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

R. Fund Balance Definitions

In the governmental financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance definitions, from most to least restrictive are:

1. *Non-spendable fund balances* – Amounts that are not in spendable form or due to legal or contractual requirements. Examples of resources in this category are prepaid amounts, inventory or notes receivable.
2. *Restricted fund balances* – Amounts constrained to specific purposes by their providers (such as grantors or bond holders), through constitutional provisions or by enabling legislation. These are primarily amounts subject to externally enforceable legal restrictions.
3. *Committed fund balances* – Amounts constrained to specific purposes by resolution of the District's Board. The District's Board can modify or rescind a commitment at any time through passage of a new resolution. In order to commit fund balances the District must take formal action prior to the close of the fiscal year.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

R. Fund Balance Definitions - continued

4. *Assigned fund balances* – Amounts the District intends to use for a specific purpose that are neither restricted nor committed are reported as assigned fund balance. Intent can be expressed by the Board or delegated authority to an official. An example of assignment is when the District's Board adopts the annual budget which includes funds identified as reserved for a specific purpose.
5. *Unassigned fund balance* – Amounts not included in other classifications above. The amount represents spendable fund balance that is not restricted, committed or assigned in the General Fund. This classification is also used to report any deficit fund balance amounts in other governmental funds.

The District's Board has passed resolution number 4461 titled: *Compliance with Governmental Accounting Standards Board Statement No. 54 (GASB 54): Fund Balance Reporting and Governmental Fund Type Definitions*. The resolution reads as follows:

- The Board affirms that it is the highest level decision authority for the District.
- The Board hereby delegates the authority to classify portions of ending fund balance as "Assigned" to the Superintendent.
- The Board adopts GASB 54 definitions for Non-spendable, Restricted, Committed, Assigned and Unassigned fund balances.
- In conjunction with the adoption of GASB 54 fund balance classifications, the Board declares its budgeting practices and budget allocations for restricted and unrestricted fund balance amounts will be consistent with the fund balance classification hierarchy.
- The Board hereby adopts GASB 54 definitions of fund types for the General Fund, special revenue funds, debt services funds, capital projects funds, and permanent funds.

S. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District first applies the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District first applies the expenditure toward restricted fund balance and then to other, less-restrictive classifications, committed and then assigned fund balances, before using unassigned fund balances.

T. Fund Balance Policy

On April 19, 2017, the District's Board updated policy 8.10.025P, *Contingencies and Reserves*. The Board has established a goal to fund and maintain an operating contingency in the General Fund that is, at a minimum, 10.00 percent of annual expenditures. The Board resolved to establish this minimum target of a 5.00 percent operating contingency in the General Fund by June 30, 2020 and a 10.00 percent operating contingency in the General Fund by June 30, 2025.

U. New Accounting Standards Implemented

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, establishes requirements for defined benefit pension that are not within the scope of Statement No. 68, as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67 and Statement No. 68 for pension plans and pensions that are within their respective scopes.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

U. New Accounting Standards Implemented - continued

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes accounting and financial reporting requirements related to other postemployment benefits (OPEB), replacing GASB Statements No. 45 and No. 57. The statement is effect for fiscal years beginning after June 15, 2017.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues identified during implementation of other GASB Statements, including blending component units, goodwill, fair value measurement and application and postemployment benefits. The statement is effective for fiscal years beginning after June 15, 2017. The District anticipates no financial impact as a result of implementing this statement.

V. Restatement of Prior Year Net Position

Due to the implementation of GASB 73 and GASB 75 a restatement of the prior year net position was required to remove the other postemployment benefit obligation liability associated with the Retirement Health Insurance Account (RHIA) and the Retirement Health Insurance Subsidy (RHIS), record the total OPEB and pension liabilities and record the deferred outflows associated with contributions.

	As Originally Reported: <u>June 30, 2017</u>	Restatement RHIS	Restatement RHIA	Restatement Stipend	As Restated: <u>June 30, 2017</u>
Deferred Outflows - OPEB:					
Employer contributions	\$ -	\$ 8,575	\$ 1,575	N/A	\$ 10,150
Net OPEB Liability	<u>\$ (27,103)</u>	<u>\$ (50,395)</u>	<u>\$ (892)</u>	N/A	<u>\$ (78,390)</u>
Deferred Outflows - Pension:					
Employer contributions	\$ -	N/A	N/A	\$ 1,389	\$ 1,389
Changes of assumptions	<u>44,191</u>	N/A	N/A	<u>174</u>	<u>44,365</u>
Total Deferred Outflows - Pension	<u>\$ 44,191</u>			<u>\$ 1,563</u>	<u>\$ 45,754</u>
Net Pension Liability	<u>\$ (207,203)</u>	N/A	N/A	<u>\$ (7,877)</u>	<u>\$ (215,080)</u>
Net Position	<u>\$ (136,309)</u>	<u>\$ (41,820)</u>	<u>\$ 683</u>	<u>\$ (6,314)</u>	<u>\$ (183,760)</u>

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The District reports financial position, results of operations, and changes in fund balance / Net Position on the basis of accounting principles generally accepted in the United States (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.

Over-Expenditure of Appropriations

Oregon Law prohibits expenditures in excess of Board approved appropriations. The Board approves appropriations at the major functional level for each fund. For the year ended June 30, 2018, expenditures exceeded appropriations as follows:

Grant Fund	Appropriation	Expenditure	Variance
Enterprise and Community Services	\$ 2,879	\$ 3,019	\$ (140)

The District did not appropriate adequate budget within the Grant Fund for Enterprise and Community Services. The under appropriation was not discovered until after the District's budget amendment process. The process for tracking budget appropriations has been updated.

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, 2018 are as follows:

Permanent rate	\$ 5.2781 per \$1 thousand of assessed value
Local option rate	\$ 1.9900 per \$1 thousand of assessed value
GO Bond Levy amount	\$ 124,300,000 (unrounded dollars)

School District No. 1J, Multnomah County, Oregon
 Notes to the Basic Financial Statements
 For the Year Ended June 30, 2018
 (Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At June 30, 2018, the District's cash, cash equivalents, and investments were comprised of the following:

	June 30, 2018	Fair Value
		Measurements
Oregon Local Government Investment Pool	\$ 36,542	N/A
Cash in demand deposits	69,883	N/A
Petty cash	6	N/A
Total cash and cash equivalents	106,431	
 Cash and cash equivalents held by fiscal agents	 <u>5,101</u>	N/A
 U.S. Government agency securities	 483,039	Level 1
Corporate Paper	63,491	Level 1
Municipal Bonds	2,146	Level 1
Total investments	548,676	
Total cash, cash equivalents and investments	\$ 660,208	

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 25.00 percent of the LGIP portfolio may mature in over one year and no investment may mature in over three years.

The District requires all securities to be purchased in the District's name and held in third party safekeeping.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018

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

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS – continued

A. Investments - continued

The Oregon Local Government Investment Pool is unrated. Other investments held at June 30, 2018 are categorized by Moody's and Standard and Poor's ratings as follows:

Moody's Rating	U.S. Government & Agency Obligations	Corporate Notes	Municipal Bonds	Total
Aaa	\$ 338,984	\$ -	\$ -	\$ 338,984
Aa1	-	-	1,441	1,441
Aa2	-	11,489	705	12,194
Aa3	-	8,476	-	8,476
A1	-	16,613	-	16,613
NR	<u>144,055</u>	<u>26,913</u>	-	<u>170,968</u>
	\$ 483,039	\$ 63,491	\$ 2,146	\$ 548,676

Weighted Average Maturity (Yrs) 1.52 0.54 0.92 1.39

S & P Rating	U.S. Government & Agency Obligations	Corporate Notes	Municipal Bonds	Total
AA+	\$ 234,946	\$ -	\$ 500	\$ 235,446
AA	-	-	250	250
AA-	-	19,595	-	19,595
A+	-	16,983	455	17,438
NR	<u>248,093</u>	<u>26,913</u>	<u>941</u>	<u>275,947</u>
	\$ 483,039	\$ 63,491	\$ 2,146	\$ 548,676

Weighted Average Maturity (Yrs) 1.52 0.54 0.92 1.39

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, Washington, Idaho, and California (subject to specific standards), and the LGIP, among others. The Board of Education has adopted a policy which complies with state statutes.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018

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

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS – continued

A. Investments – continued

Concentration of credit risk-investments

In accordance with GASB 40, the District is required to report all individual non-federal investments which exceed 5.00 percent of total invested funds. As of June 30, 2018 the District held no individual non-federal assets that exceeded 5.00 percent of total invested funds.

Custodial risk-deposits

The District's deposits with financial institutions are insured by the Federal Depository Insurance Corporation (FDIC); interest and non-interest bearing accounts are insured up to \$250 thousand. To provide additional security required and authorized by Oregon Revised Statutes, Chapter 295, deposits above insurance limits are covered by collateral held in a multiple financial institution collateral pool administered by the State of Oregon. At June 30, 2018, bank balances of \$1,005 were insured by the FDIC. Funds not covered by FDIC insurance are covered by the Oregon State Treasury Collateral Pool. At June 30, 2018, the carrying amount of the District's balance was \$69,883 and the bank balance was \$74,582.

Custodial credit risk-investments

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

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

School District No. 1J, Multnomah County, Oregon
 Notes to the Basic Financial Statements
 For the Year Ended June 30, 2018
 (Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 5 – RECEIVABLES

Receivables at June 30, 2018 are summarized as follows:

	General Fund	Grant Fund	PERS Rate Stabilization	GO Bonds Fund	GO Debt Service Fund	Govern-mental and other funds	Total
Accounts and other receivables:							
Interest	\$ -	\$ -	\$ 39	\$ -	\$ 1,020	\$ -	\$ 1,059
Accounts receivable	4,542	-	-	-	-	4,588	9,130
Federal, state and local grants	-	23,099	-	-	-	-	23,099
Total accounts and other receivables	4,542	23,099	39	-	1,020	4,588	33,288
Property and other taxes receivable	17,303	-	-	2,842	-	-	20,145
Total receivables	\$ 21,845	\$ 23,099	\$ 39	\$ 2,842	\$ 1,020	\$ 4,588	\$ 53,433

NOTE 6 – PREPAID ITEMS

A summary of changes in prepaid items for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Postage	\$ 129	\$ 273	\$ (299)	\$ 103
Insurance	951	353	(823)	\$ 481
Workers Compensation Prefund	-	1,937	(1,637)	\$ 300
Total Prepaid Assets	\$ 1,080	\$ 2,563	\$ (2,759)	\$ 884

Prepaid insurance consists of an Owner Controlled Insurance Program (OCIP), which provides liability coverage for major construction contracts, and builders risk insurance for high school rebuilds. The OCIP is amortized for 5 years starting in fiscal year 2014, and the builders risk policy (Grant High School) is being amortized over 26 months starting July 2017.

The District is self-insured for workers' compensation claims. The Workers Compensation Prefund is an escrow account held by the District's third-party administrator for monthly payment of claims.

School District No. 1J, Multnomah County, Oregon
 Notes to the Basic Financial Statements
 For the Year Ended June 30, 2018
 (Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 7 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated or amortized					
Land	\$ 9,174	\$ -	\$ -	\$ -	\$ 9,174
Construction in progress	<u>250,500</u>	<u>117,512</u>	<u>(9,535)</u>	<u>(266,349)</u>	<u>92,128</u>
Total capital assets not being depreciated or amortized	<u>259,674</u>	<u>117,512</u>	<u>(9,535)</u>	<u>(266,349)</u>	<u>101,302</u>
Capital assets being depreciated or amortized					
Buildings and site improvements	465,109	302	(1,776)	264,623	728,258
Vehicles and equipment	<u>55,335</u>	<u>1,589</u>	<u>(22,894)</u>	<u>1,726</u>	<u>35,756</u>
Total capital assets being depreciated or amortized	<u>520,444</u>	<u>1,891</u>	<u>(24,670)</u>	<u>266,349</u>	<u>764,014</u>
Total general capital assets	<u>780,118</u>	<u>119,403</u>	<u>(34,205)</u>	<u>-</u>	<u>865,316</u>
Less accumulated depreciation and amortization					
Buildings and site improvements	(228,566)	(16,286)	137	-	(244,715)
Vehicles and equipment	<u>(44,939)</u>	<u>(1,748)</u>	<u>20,189</u>	<u>-</u>	<u>(26,498)</u>
Total accumulated depreciation and amortization	<u>(273,505)</u>	<u>(18,034)</u>	<u>20,326</u>	<u>-</u>	<u>(271,213)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 506,613</u>	<u>\$ 101,369</u>	<u>\$ (13,879)</u>	<u>\$ -</u>	<u>\$ 594,103</u>

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

Instruction	\$ 15,674
Supporting services	2,193
Enterprise and Community Services	167
	<u>\$ 18,034</u>

As of June 30, 2018 the District has one school that was closed and idle: Smith elementary school. As of June 30, 2018 the carrying value of this school is \$273 and is included in the capital assets summary above.

School District No. 1J, Multnomah County, Oregon
 Notes to the Basic Financial Statements
 For the Year Ended June 30, 2018
 (Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 8 – INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

Interfund balances represent cash owed by one fund to another. Interfund receivables and payables at June 30, 2018 are as follows:

	Due To	Due From
General Fund	\$ 16,448	\$ 743
Grant Fund	-	16,448
Nonmajor Governmental Funds	743	-
	<u>\$ 17,191</u>	<u>\$ 17,191</u>

There is a \$743 interfund balance between the General Fund and Nonmajor Governmental Funds for monies invested on behalf of Student Body Fund accounts. The Grants Fund was advanced \$16,448 by the General Fund to cover unbilled expenditures.

The composition of interfund transfers as of June 30, 2018, is as follows:

	Transfers In	Transfers Out
General Fund	\$ 1,006	\$ 5,328
Nonmajor Governmental Funds	5,991	1,669
	<u>\$ 6,997</u>	<u>\$ 6,997</u>

The District's General Fund made debt service transfers totaling \$3,826 to Nonmajor Governmental Funds for principal and interest payments on the District's Full Faith & Credit obligations. The District's General Fund also made transfers totaling \$1,502 to Nonmajor Governmental Funds to fund facility and IT capital projects. The Nonmajor Governmental Funds made transfers of \$625 to other Nonmajor Governmental Funds for principal and interest payments on the District's Full Faith & Credit obligations and transfers of \$1,044 to the General Fund related to financial rebates earned in previous years.

NOTE 9 – ACCRUED COMPENSATED ABSENCES

The General Fund and Grant Fund are the primary funds from which the compensated absences balance liability is liquidated.

The change in the balance of accrued compensated absences for the year was as follows:

Outstanding	Outstanding	Due Within
June 30, 2017	June 30, 2018	One Year
\$ 3,297	\$ 3,355	\$ 2,236
\$ 3,410	\$ (3,352)	

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018

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

NOTE 10 – BONDED AND OTHER DEBT

Changes in District long-term debt during fiscal year 2018 were as follows:

	Original Amount	Beginning Balance	Additions	Matured and Redeemed	Ending Balance	Due Within One Year
Pension debt:						
Limited tax pension bonds						
Series 2002	\$ 210,104	\$ 155,831	\$ -	\$ (4,359)	\$ 151,472	\$ 4,423
Series 2003	281,170	202,019	-	(7,719)	194,300	7,527
Series 2012	14,400	14,400	-	-	14,400	-
Total pension debt	505,674	372,250	-	(12,078)	360,172	11,950
(See Note 11)						
Other Debt:						
Note Payable						
2009 Credit Facility	15,000	5,152	-	(2,533)	2,619	2,619
Recovery Zone Economic Development Bonds	11,000	5,757	-	(968)	4,789	999
General Obligation Bonds						
Series 2013B	68,575	65,315	-	(1,890)	63,425	2,080
General Obligation Bonds						
Series 2015B	244,700	211,555	-	(17,960)	193,595	19,680
QZAB Series 2016	4,000	4,000	-	(200)	3,800	200
Full Faith & Credit Obligations Series 2016	5,048	5,048	-	(265)	4,783	280
General Obligation Bonds						
Series 2017A	168,950	-	168,950	(73,980)	94,970	76,730
General Obligation Bonds						
Series 2017B	241,890	-	241,890	-	241,890	-
Total other debt	759,163	296,827	410,840	(97,796)	609,871	102,588
Total long-term debt	\$ 1,264,837	669,077	410,840	(109,874)	970,043	114,538
Unamortized bond premium (discount)						
	35,331	11,060	(2,619)	43,772	2,701	
Total long-term debt, net of premiums (discounts)	\$ 704,408	\$ 421,900	\$ (112,493)	\$ 1,013,815	\$ 117,239	

Changes in District accrued interest during Fiscal Year 2018 were as follows:

	Beginning Balance	Payments		
		Additions	and Reductions	Ending Balance
Accrued Interest:				
Current Portion	\$ 16,501	\$ 43,218	\$ (40,845)	\$ 18,874
Long Term Portion	64,676	-	(10,937)	53,739
Total Accrued Interest	\$ 81,177	\$ 43,218	\$ (51,782)	\$ 72,613

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 10 – BONDED AND OTHER DEBT – continued

A. Limited Tax Pension Bonds

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

The District issued \$210,104 Limited Tax Pension Bonds, Series 2002 (Federally Taxable), of which \$53,524 are Series 2002A (deferred interest bonds) and \$156,580 are Series 2002B (current interest bonds). The 2002 series Limited Tax Pension 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 5.93 to 6.10 percent. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.48 to 5.55 percent. The Series 2002A Bonds are not subject to optional prepayment prior to maturity. The Series 2002B Bonds maturing June 30, 2021, shall be subject to prepayment from pension prepayments on or after June 30, 2009, and those due June 30, 2028 are subject to mandatory prepayment prior to its stated maturity, in whole or part, on any June 30 on or after June 30, 2024. During 2012 \$14,200 of Series 2002 Pension Bonds were refinanced. See the description of the Limited Tax Pension Bonds, Series 2012 below.

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 series 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 payable semiannually at yields rates ranging from 5.96 to 6.27 percent. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.45 to 5.68 percent. The bonds are federally taxable and are not subject to optional prepayment prior to their stated maturities.

On January 31, 2012 the District issued \$14,400 in Limited Tax Pension Refunding Bonds, Series 2012. The interest rate is fixed at 2.75 percent and interest payments on the bonds are payable semiannually in June and December. The bonds mature on June 30, 2021. The total amount of interest savings (economic gain) as a result of the refinancing is \$3,200 dollars. The present value of future cash savings as a result of the refinancing is \$2,800 dollars. The bond proceeds, \$14,200, were used to pay on the Limited Tax Pension Bonds, Series 2002. The Series 2012 bonds are subject to optional prepayment.

Under the terms of the borrowing agreements for the 2002, 2003 and 2012 Limited Tax Pension Bonds, the District is bound by an intercept agreement whereby Wells Fargo Bank Northwest NA, as the trustee, directly receives specified amounts that have been withheld from the District’s State School Fund support payments that are deposited in trust with LGIP. Wells Fargo Bank Northwest NA then makes the scheduled semi-annual debt service payments from the LGIP trust account.

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 10 – BONDED AND OTHER DEBT – continued

B. General Obligation Bonds

As part of a \$482 million capital bond measure passed by District voters in 2012, the District issued the following General Obligation debt to finance school renovation and replacement:

On May 1, 2013 the District issued \$68,575 in General Obligation Bonds, Series 2013B. The interest rate is fixed at rates ranging from 3.00 to 5.00 percent. Interest payments on the bonds are payable semiannually in June and December, beginning December 15, 2013. The bonds mature on June 15, 2033 with principal payments due annually on June 15. The bonds were issued at a premium of \$7,923 which is being amortized over the life of the bonds.

On April 30, 2015 the District issued \$244,700 in General Obligation Bonds, Series 2015B. The interest rate is fixed at rates ranging from 3.00 to 5.00 percent. Interest payments on the bonds are payable semiannually in June and December, beginning December 15, 2015. The Series 2015B Bonds maturing on or after 2026 are subject to redemption, at the option of the District, in whole or part, on or after June 15, 2025. The bonds mature on June 15, 2033 with principal payments due annually on June 15. The bonds were issued at a premium of \$33,178 which is being amortized over the life of the bonds.

On August 10, 2017 the District issued \$62,160 in General Obligation Bonds, Series 2017B. The interest rate is fixed at 5.00 percent. Interest payments on the bonds are payable semiannually in June and December, beginning December 15, 2017. The Series 2017B Bonds are not subject to early redemption prior to maturity. The bonds mature on June 15, 2030, with principal payments due annually on June 15. The bonds were issued at a premium of \$9,854 which is being amortized over the life of the bonds.

As part of a \$790 million capital bond measure passed by District voters in 2017, the District has issued the following General Obligation debt to finance school renovation and replacement:

On August 10, 2017 the District issued \$168,950 in General Obligation Bonds, Series 2017A. The interest rate is fixed at rates ranging from 1.45 to 1.65 percent. Interest payments on the bonds are payable semiannually in June and December, beginning December 15, 2017. The bonds mature on June 15, 2020, with principal payments due annually on June 15. The bonds were issued at a premium of \$155 which is being amortized over the life of the bonds.

On August 10, 2017 the District issued \$179,730 in General Obligation Bonds, Series 2017B. The interest rate is fixed at rates ranging from 3.00 to 5.00 percent. Interest payments on the bonds are payable semiannually in June and December, beginning December 15, 2017. The Series 2017B Bonds maturing on June 15, 2028 and on any date thereafter are subject to redemption at the option of the District prior to their stated maturity dates at any time on or after June 15, 2027 in whole or in part; and, if in part, with maturities to be selected by the District at a price of par plus accrued interest, if any, to the date of redemption. The bonds mature on June 15, 2044 with principal payments due annually on June 15. The bonds were issued at a premium of \$1,051 which is being amortized over the life of the bonds.

C. Other Debt

In October 2009 the District borrowed \$15,000 from Bank of America, N.A. to finance capital asset projects related to information technology. Loan interest at 3.40 percent is payable semi-annually beginning December 1, 2009, and principal is payable annually beginning June 1, 2010. The installment loan is a full faith and credit obligation which matures June 1, 2019. It is authorized by ORS 271.390, which requires that the weighted average life of the projects (approximately 10.0 years) must exceed the weighted average life of the loan (approximately 6.7 years).

Pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA), the City of Portland was awarded \$13,500 in Recovery Zone Economic Development Bonds (RZEDBs). In July 2010, the City sub-awarded \$11,000 of the RZED

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018

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

NOTE 10 – BONDED AND OTHER DEBT – continued

C. Other Debt - continued

bonds to Portland Public Schools, which are being used to complete energy and water conservation projects that will financially benefit the District in reduced energy and water costs and will yield on-going financial benefit once the bonds are paid off. The District makes semi-annual interest payments and annual principal payments, and the bonds will mature in December 2022. The bond's interest payments of 5.05 percent are 45 percent federally subsidized.

On November 9, 2016 the District issued \$5,048 in Full Faith and Credit Obligations, Series 2016. The interest rate is fixed at 2.99 percent. Interest payments on the obligations are payable semiannually in June and December, beginning June 1, 2018. The obligations mature on December 1, 2031, with principal payments due annually on December 1. The obligations carry a prepayment option such that any or all outstanding maturities may be redeemed on or after December 1, 2018. The bonds were issued at par.

On August 4, 2016 the District issued \$4,000 in Qualified Zone Academy Bonds (QZAB), Series 2016. The District pays no interest rate over the 20 year term of the bonds. The bonds carry a 4.39 percent interest rate for structuring purposes, but the purchaser of the bonds receives a Federal tax credit in lieu of interest earnings. The bonds mature on August 4, 2036 with level principal payments due annually on August 4.

Article XI-K of the Oregon Constitution allows the state to guarantee the general obligation bonded indebtedness of school districts. For the Series 2013B, 2015B, 2017A and 2017B GO Bonds mentioned immediately above, the District participated in the Oregon School Bond Guaranty program (ORS 328.321 to 328.356), whereby the State of Oregon (State) guarantees all principal and interest payments until maturity will be made to bondholders when due. Should the District fail to make a payment of debt service on these bonds when due, the State will make the payment on behalf of the District, and then will seek recovery from the District. The State may recover funds by means of intercepting any source of operating moneys normally remitted from the State to the District. Since the inception of the bonds, the District has not used the guarantee, and there are no outstanding amounts due to the State of Oregon as of June 30, 2018.

Federal arbitrage restrictions apply to substantially all debt. Any liabilities to the federal government are accrued and paid when due. Long-term debt payments are made from the debt service funds.

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018

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

NOTE 10 – BONDED AND OTHER DEBT - continued

Future annual debt service requirements for the District are as follows:

Fiscal year	Limited tax pension bonds	Recovery zone bonds	Other full faith & credit	General Obligation Bonds	QZAB	Total
Principal						
2019	\$ 11,950	\$ 999	\$ 2,899	\$ 98,490	\$ 200	\$ 114,538
2020	12,160	1,029	290	104,305	200	117,984
2021	21,903	1,061	295	40,810	200	64,269
2022	23,573	1,093	305	10,915	200	36,086
2023	25,481	607	315	12,150	200	38,753
2024-2028	265,105	-	1,725	80,265	1,000	348,095
2029-2033	-	-	1,573	121,420	1,000	123,993
2034-2038	-	-	-	45,640	800	46,440
2039-2043	-	-	-	64,325	-	64,325
2044-2048	-	-	-	15,560	-	15,560
Total principal	<u>360,172</u>	<u>4,789</u>	<u>7,402</u>	<u>593,880</u>	<u>3,800</u>	<u>970,043</u>
Interest						
2019	36,905	229	228	21,942	-	59,304
2020	39,699	179	130	19,742	-	59,750
2021	32,511	126	122	15,137	-	47,896
2022	34,125	72	113	13,097	-	47,407
2023	34,561	15	103	12,552	-	47,231
2024-2028	43,740	-	367	52,928	-	97,035
2029-2033	-	-	96	33,294	-	33,390
2034-2038	-	-	-	17,736	-	17,736
2039-2043	-	-	-	9,450	-	9,450
2044-2048	-	-	-	545	-	545
Total interest	<u>221,541</u>	<u>621</u>	<u>1,159</u>	<u>196,423</u>	<u>-</u>	<u>419,744</u>
Total debt service	<u>\$ 581,713</u>	<u>\$ 5,410</u>	<u>\$ 8,561</u>	<u>\$ 790,303</u>	<u>\$ 3,800</u>	<u>\$ 1,389,787</u>

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 11 – PENSION PLANS

Pension Plans - Summary

The District offers a cost-sharing multiple-employer defined benefit plan through the Oregon Public Employees Retirement System (OPERS) and a single-employer defined benefit early retirement stipend (Stipend). The breakdown of the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions are:

	<u>OPERS</u>	<u>Stipend</u>	<u>Net</u>
Total Pension Liability	\$ (283,305)	\$ (6,753)	\$ (290,058)
Pension Deferred Outflows of Resources	\$ 162,871	\$ 1,285	\$ 164,156
Pension Deferred Inflows of Resources	\$ (27,171)	\$ (116)	\$ (27,287)

A. Oregon Public Employees Retirement System (OPERS)

General Information about the Pension Plan

Name of the pension plan: The Oregon Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit plan, administered by the Public Employees Retirement Board with authority granted by the Oregon Legislature.

Plan description. Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A, and Internal Revenue Code Section 401(a). The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. OPERS issues a publicly available financial report that can be obtained at:

<https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>.

Benefits provided under Chapter 238 - Tier One / Tier Two Retirement Benefit Plan

1. *Pension Benefits.* The OPERS retirement allowance is payable monthly for life. Members may select from 13 retirement benefit options that are actuarially equivalent to the base benefit. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.00 percent for Police and Fire employees, 1.67 percent for General Service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated either under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for Police and Fire members). General Service employees may retire after reaching age 55. Police and Fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and Fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
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NOTE 11 – PENSION PLANS – continued

A. Oregon Public Employees Retirement System (OPERS) – continued

Benefits provided under Chapter 238 - Tier One / Tier Two – continued

2. *Death Benefits.* Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:
 - the member was employed by an OPERS employer at the time of death,
 - the member died within 120 days after termination of OPERS-covered employment,
 - the member died as a result of injury sustained while employed in an OPERS-covered job, or
 - the member was on an official leave of absence from an OPERS-covered job at the time of death.
3. *Disability Benefits.* A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for Police and Fire members) when determining the monthly benefit.
4. *Benefit Changes after Retirement.* Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of the underlying equity investments of that account.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.00 percent.

Benefits provided under Chapter 238A - Oregon Public Service Retirement Plan (OPSRP).

1. *Pension Benefits.* The ORS 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of the OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General Service: 1.50 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for General Service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

2. *Death Benefits.* Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 11 – PENSION PLANS – continued

A. Oregon Public Employees Retirement System (OPERS) – continued

Benefits provided under Chapter 238A – Oregon Public Service Retirement Plan (OPSRP) – continued

3. *Disability Benefits.* A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
4. *Benefit Changes after Retirement.* Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA vary based on the amount of the annual benefit.

Contributions:

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The state of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments to establish side accounts, and their rates have been reduced.

The District's rates in effect for the fiscal year ended June 30, 2018 were:

Tier One / Tier Two	6.16%
OPSRP General Service	0.90%

The District contributed approximately \$9.2 million for the year ended June 30, 2018. The District and OPERS leadership are under discussion as to whether this contribution amount was required. See Note 19.

Actuarial Valuations:

The employer contribution rates effective July 1, 2017 through June 30, 2018, were set using the entry age normal actuarial cost method. For the Tier One / Tier Two component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

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

School District No. 1J, Multnomah County, Oregon
 Notes to the Basic Financial Statements
 For the Year Ended June 30, 2018
 (Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 11 – PENSION PLANS – continued

A. Oregon Public Employees Retirement System (OPERS) – continued

Actuarial Valuations - continued

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
Experience Study	2014, published September 23, 2015
Actuarial Assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 percent
Mortality	<p><i>Healthy retirees and beneficiaries:</i> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.</p> <p><i>Active members:</i> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><i>Disabled retirees:</i> Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct table per Scale BB, disabled mortality table.</p>

Source: OPERS Comprehensive Annual Financial Report, For the Fiscal Year Ended June 30, 2017

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

The PERS Board adopted assumption changes that were used to measure the June 30, 2017 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay.

Discount Rate:

The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 11 – PENSION PLANS – continued

A. Oregon Public Employees Retirement System (OPERS) – continued

Actuarial Valuations - continued

Depletion Date Projection:

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is OPERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Assumed Asset Allocation:

Asset Class/Strategy	Low	High	OIC
	Range	Range	Target
Cash	0.0 %	3.0 %	0.0 %
Debt Securities	15.0	25.0	20.0
Public Equity	32.5	42.5	37.5
Real Estate	9.5	15.5	12.5
Private Equity	14.0	21.0	17.5
Alternative Equity	0.0	12.5	12.5
<u>Opportunity Portfolio</u>	<u>0.0</u>	<u>3.0</u>	<u>0.0</u>
Total			100.0 %

Source: OPERS Comprehensive Annual Financial Report, For the Fiscal Year Ended June 30, 2017

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018

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

NOTE 11 – PENSION PLANS – continued

A. Oregon Public Employees Retirement System (OPERS) – continued

Actuarial Valuations - continued

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the OPERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Compound Annual (Geometric) Return
Core Fixed Income	8.00 %	4.00 %
Short-Term Bonds	8.00	3.61
Bank/Leveraged Loans	3.00	5.42
High Yield Bonds	1.00	6.20
Large/Mid Cap US Equities	15.75	6.70
Small Cap US Equities	1.31	6.99
Micro Cap US Equities	1.31	7.01
Developed Foreign Equities	13.13	6.73
Emerging Market Equities	4.12	7.25
Non-US Small Cap Equities	1.88	7.22
Private Equity	17.50	7.97
Real Estate (Property)	10.00	5.84
Real Estate (REITS)	2.50	6.69
Hedge Fund of Funds - Diversified	2.50	4.64
Hedge Fund - Event-driven	0.63	6.72
Timber	1.88	5.58
Farmland	1.88	6.37
Infrastructure	3.75	7.13
Commodities	1.88	4.58
Assumed Inflation – Mean		2.50 %

Source: OPERS Comprehensive Annual Financial Report, For the Fiscal Year Ended June 30, 2017

School District No. 1J, Multnomah County, Oregon
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 For the Year Ended June 30, 2018
 (Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 11 – PENSION PLANS – continued

A. Oregon Public Employees Retirement System (OPERS) – continued

Actuarial Valuations - continued

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability (asset)	\$482,804	\$283,305	\$116,487

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report available at: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2018, the District reported a liability of \$283,305 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The District's proportion of the net pension liability was based on the District's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers. At June 30, 2018, the District's proportion was 2.10 percent, which is an increase of 0.72 from the District's proportion of 1.38 percent for the ended June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$79.4 million for the defined benefit portion of the pension plan. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension changes in employer proportion	\$ 93,946	\$ -
Differences between employer contribution and proportionate share of contributions	663	(27,171)
Differences between expected and actual experience	13,701	-
Pension differences due to changes in assumptions	51,642	-
Pension differences between expected and actual earnings	<u>2,919</u>	<u>-</u>
Total (prior to post-measurement date contributions)	162,871	(27,171)
Contributions made subsequent to measurement date ¹	- <u>-</u>	- <u>-</u>
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 135,700</u>	

Source: OPERS Schedule of Pension Amounts under GASB 68, June 30, 2017

¹OPERS side account resources were used to satisfy all contribution requirements. See Note 19 for further information.

School District No. 1J, Multnomah County, Oregon
 Notes to the Basic Financial Statements
 For the Year Ended June 30, 2018
 (Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 11 – PENSION PLANS – continued

A. Oregon Public Employees Retirement System (OPERS) – continued

Actuarial Valuations - continued

The deferred outflow of resources of \$0 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Employer subsequent fiscal years	Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)
Fiscal Year 2019	\$ 31,784
Fiscal Year 2020	54,599
Fiscal Year 2021	42,780
Fiscal Year 2022	3,926
Fiscal Year 2023	<u>2,611</u>
 Total	 <u>\$ 135,700</u>

Source: OPERS Schedule of Pension Amounts under GASB 68, June 30, 2017

Defined Contribution Plan

OPSRP Individual Account Program (OPSRP IAP)

Plan Description:

Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Beginning January 1, 2004, OPERS active Tier One and Tier Two members became members of the IAP of OPSRP. OPERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is a part of OPERS and is administered by the OPERS Board.

Pension Benefits:

Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Installment amounts vary with market returns as the account remains invested while in distribution. When chosen, the distribution option must result in a \$200 minimum distribution amount, or the frequency of the installments will be adjusted to reach that minimum.

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
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NOTE 11 – PENSION PLANS – continued

A. OPSRP Individual Account Program (OPSRP IAP) – continued

Death Benefits:

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions:

Employees of the District contribute 6.0 percent of their covered payroll. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2018. Included in accrued liabilities at June 30, 2018 are \$1.9 million for employee contributions owed to the plan.

B. District Plan - Stipend

Plan Description

The District provides a single-employer defined benefit early retirement program for members of the Portland Association of Teachers (PAT), physical therapists, occupational therapists and licensed administrators. Certificated employees with 15 consecutive years of at least half time service with the District, and who are eligible to retire under OPERS, and who retired 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. The General Fund and the Grant Fund are the primary funds from which the stipend liability is liquidated. The District does not issue a separate stand-alone financial report for this plan. The District pays for the benefits without any cost to employees. The contributions are financed on a pay-as-you-go basis, and there are no assets accumulated in a trust. The program was established under separate bargaining agreements and may be amended by the District under new collective bargaining agreements.

Total Stipend Liability

The District's total stipend liability of \$6.8 million was measured as of June 30, 2017, rolled forward to June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016.

School District No. 1J, Multnomah County, Oregon
 Notes to the Basic Financial Statements
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NOTE 11 – PENSION PLANS – continued

B. District Plan - Stipend – continued

Actuarial Assumptions and Other Inputs

The total Stipend liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2016
Measurement Date	June 30, 2017
Inflation	2.50%
Projected salary growth	3.75%
Discount rate	3.58%
Withdrawal, retirement, and mortality rates	December 31, 2016 Oregon PERS valuation
Election and lapse rates	100% of eligible employees 35% spouse coverage 5% annual lapse rate
Actuarial cost method	Entry Age Normal Level Percent of Pay
Demographic Assumptions	
Mortality	RP-2014 sex-distinct base tables, as specified below. Male retiree: White collar, set back 12 months Male spouse: Blended 50% blue collar/50% white collar, set back 12 months Female retiree: White collar, set back 12 months Female spouse: Blended 50% blue collar/50% white collar, no set back
Withdrawal	Based on Oregon PERS assumptions. Annual rates are based on gender and duration from hire date.
Retirement	Based on Oregon PERS assumption. Annual rates are based on age, Tier/OPSRP, and duration of service

Discount Rate – Under GASB 75, unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The discount rate in effect for the June 30, 2018 reporting date is 3.58 percent, reflecting the Bond Buyer 20-Year General Obligation Bond Index.

School District No. 1J, Multnomah County, Oregon
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NOTE 11 – PENSION PLANS – continued

B. District Plan - Stipend – continued

Changes in the Total Stipend Liability

	<u>Total Stipend Liability</u>
Balance at 6/30/2017	\$ 7,877
Changes for the year:	
Service cost	212
Interest	211
Changes in assumptions or other inputs	(158)
Benefit payments	(1,389)
Net changes	(1,124)
Balance at 6/30/2018	<u>\$ 6,753</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.85% in 2017 to 3.58% in 2018.

Sensitivity of the total stipend liability to changes in the discount rate. The following presents the total stipend liability of the District, as well as what the District's total stipend liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease <u>(2.58%)</u>	Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
	\$ 6,968	\$ 6,753	\$ 6,534
Total Stipend Liability			

Stipend Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Stipend

For the year ended June 30, 2018, the District recognized stipend benefit of \$731. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the stipend form the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Changes of assumptions or other inputs	\$ 111	\$ (116)	\$ (5)
Contributions made subsequent to measurement date	1,174	-	1,174
Total	\$ 1,285	\$ (116)	\$ 1,169

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
(Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 11 – PENSION PLANS – continued

B. District Plan - Stipend – continued

Deferred outflows of resources related to the stipend of \$1.2 million resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the stipend will be recognized in the stipend expense as follows:

Year ended June 30:		
2019	\$ 20	
2020	8	
2021	<u>(33)</u>	
Total		<u>\$ (5)</u>

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

Other Post-Employment Benefits (OPEB) - Summary

The District offers a retirement health insurance subsidy (RHIS) and contributes to a retirement health insurance account (RHIA) through OPERS. The breakdown of the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB are:

	RHIS	RHIA	Net
Total OPEB Liability	\$ (70,784)	\$ -	\$ (70,784)
Net OPEB Asset	\$ -	\$ 1,321	\$ 1,321
OPEB Deferred Outflows of Resources	\$ 8,024	\$ 1,547	\$ 9,571
OPEB Deferred Inflows of Resources	\$ (2,497)	\$ (635)	\$ (3,132)

A. Retirement Health Insurance Subsidy (RHIS)

Plan Description

The District provides a single-employer defined benefit plan that provides postemployment health, dental, vision and life insurance benefits to eligible employees and their spouses for employees who have retired from the District with a minimum of fifteen accumulated years of service and are eligible to retire from the Oregon retirement system. There are 5,689 active and 850 retired members or beneficiaries currently receiving benefit payments in the plan. Covered employees under the plan are eligible to receive full or part District-paid medical and pharmacy benefits for up to 60 months, or until reaching age 65, whichever comes first. The District also pays a portion of the spouse/domestic partner medical and pharmacy costs during the benefit period. The program was established under separate collective bargaining agreements with the certificated and classified employees and by precedent for all other District employees. The Portland Teachers Association (PAT) group terminated this benefit after September 30, 2016. All other bargaining units and employee groups, except the District Council Unions (DCU), agreed to terminate this benefit after June 30, 2014. The DCU agreed to terminate this benefit after December 31, 2014. Under Oregon Revised Statute (ORS) 243.303 any OPERS qualifying public employee is allowed to pay the full cost for continued coverage under the District group health plans until they become Medicare eligible. The plan does not issue a separate financial report, and there are no assets accumulated in a trust. The plan may be amended by the District under new collective bargaining agreements.

School District No. 1J, Multnomah County, Oregon
 Notes to the Basic Financial Statements
 For the Year Ended June 30, 2018
 (Dollar amounts, unless otherwise indicated, are expressed in thousands)

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS - continued

A. Retirement Health Insurance Subsidy (RHIS) – continued

Benefits Provided

The District pays for the benefits. The contributions are financed on a pay-as-you-go basis. During fiscal year 2018 the District recognized, on a budgetary basis, expenditures of approximately \$8.4 million for the post-employment healthcare benefits. The General Fund and the Grant Fund are the primary funds from which the Other Post Employment Benefit liability is liquidated.

Employees covered by benefit terms

As of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	589
Inactive employees entitled to but not yet receiving benefit payments	261
Active employees	<u>5,689</u>
	<u><u>6,539</u></u>

Total RHIS Liability

The District's total RHIS liability of \$70.8 million was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016, rolled forward to June 30, 2017.

Actuarial Methods and Assumptions

Actuarial methods and assumptions, with the exception of the Health Care Cost Trend, are consistent with those disclosed for the District Stipend. See Footnote 11 – Pension Plans, part B. District Plan - Stipend for additional information on Actuarial Assumptions and Methods, the Long-Term Expected Rate of Return, and the Discount Rate.

Health Care Cost Trend – The actuarial calculations used an assumption that medical costs will increase 7.25 percent in the first year, 7.50 percent in the second year, 6.25 percent in the third year, and varying from 5.75 percent to 4.25 percent over the remainder of the projection period. These trends are based on a model circulated by the Society of Actuaries that considers current trends in health care costs, the potential impacts of certain well-defined aspects of the Affordable Care Act, and long-term constraints on trend such as growth in per capita income. It also assumes that dental and vision costs will increase by the lesser of the medical cost trend previously described and 5.00 percent per year. First year medical, dental, and vision trends were based on actual changes to July 1, 2018 premiums compared with July 1, 2017 premiums.

Changes in the Total RHIS Liability

	<u>Increase (Decrease) in Total RHIS Liability</u>
Balance at 6/30/2017	\$ 77,498
Changes for the year:	
Service cost	2,549
Interest	2,160
Changes in assumptions or other inputs	(2,848)
Benefit payments	<u>(8,575)</u>
Net changes	<u>(6,714)</u>
Balance at 6/30/2018	<u><u>\$ 70,784</u></u>

School District No. 1J, Multnomah County, Oregon
 Notes to the Basic Financial Statements
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NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS - continued

A. Retirement Health Insurance Subsidy (RHIS) – continued

Changes in assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2017 to 3.58 percent in 2018.

Sensitivity of the total RHIS liability to changes in the discount rate. The following presents the total RHIS liability of the District, as well as what the District's total RHIS liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total RHIS Liability	\$ 74,709	\$ 70,784	\$ 67,039

Sensitivity of the total RHIS liability to changes in the healthcare cost trend rates. The following presents the total RHIS liability of the District, as well as what the District's total RHIS liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25 decreasing to 4.75 percent) or 1-percentage-point higher (7.25 decreasing to 6.75 percent) than the current healthcare cost trend rates:

	Current Trend		
	1% Decrease	Rate	1% Increase
Total RHIS Liability	\$ 65,177	\$ 70,784	\$ 77,168

RHIS Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to RHIS

For the year ended June 30, 2018, the District recognized RHIS benefit of \$3.7 million. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to RHIS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Changes of assumptions or other inputs	\$ -	\$ (2,497)	\$ (2,497)
Contributions made subsequent to measurement date	8,024	-	8,024
Total as of June 30, 2018	\$ 8,024	\$ (2,497)	\$ 5,527

Deferred outflows of resources related to RHIS of \$8.0 million resulting from the District's contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIS will be recognized in RHIS expense as follows:

Year ended June 30:		
2019	\$ (352)	
2020	(352)	
2021	(352)	
2022	(352)	
2023	(352)	
Thereafter	<u>(737)</u>	
 Total	 <u>\$ (2,497)</u>	

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
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NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS – continued

B. Retirement Health Insurance Account (RHIA)

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. 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.

Benefits

RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees.

Contributions

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

The District's rates in effect for the fiscal year ended June 30, 2018 were:

Tier One / Tier Two	0.50%
OPSRP General Service	0.43%

District contributions for the year ended June 30, 2018 were \$1,547.

RHIA Liabilities, RHIA Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to RHIA

At June 30, 2018, the District reported an asset of \$1.3 million for its proportionate share of the OPERS net RHIA asset. The net RHIA asset was measured as of June 30, 2017, and the total RHIA liability used to calculate the net RHIA asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. The District's proportion of the net RHIA asset was based on the District's actual, legally required contributions made to the RHIA program during the measurement period relative to total actual contributions from all participating employers. At June 30, 2017, the District's proportionate share was 3.16%, which is a decrease from its proportion of 3.28% as of June 30, 2016.

School District No. 1J, Multnomah County, Oregon
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NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS – Continued

B. Retirement Health Insurance Account (RHIA) - Continued

For the year ended June 30, 2018, the District recognized RHIA benefit from this plan of \$1,548. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to this RHIA plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Net difference between projected and actual earnings on plan investments	\$ -	\$ (611)	\$ (611)
Changes in proportionate share	<u>-</u>	<u>(24)</u>	<u>(24)</u>
	<u>-</u>	<u>(635)</u>	<u>(635)</u>
District contributions subsequent to measurement date	1,547	-	1,547
Total	<u>\$ 1,547</u>	<u>\$ (635)</u>	<u>\$ 912</u>

Source: OPERS Schedule of OPEB Amounts under GASB 75, June 30, 2017

Deferred outflows of resources related to RHIA of \$1,547 resulting from the District's contributions subsequent to the measurement date will be recognized as an increase/(decrease) in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIA will be recognized in RHIA expense as follows:

Year ended June 30:		
2019	\$ (162)	
2020	(162)	
2021	(159)	
2022	<u>(152)</u>	
		Total <u>\$ (635)</u>

Source: OPERS Schedule of OPEB Amounts under GASB 75, June 30, 2017

Actuarial Methods and Assumptions

All actuarial methods and assumptions are consistent with those disclosed for the OPERS Pension Plan. See Footnote 11 – Pension Plans, part A. Oregon Public Employees Retirement System (OPERS) for additional information on Actuarial Assumptions and Methods, the Long-Term Expected Rate of Return, and the Discount Rate.

Sensitivity of the District's proportionate share of the net RHIA liability (asset) to changes in the discount rate

The following presents the District's proportionate share of the net RHIA liability (asset), as well as what the District's proportionate share of the net RHIA liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current discount rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net RHIA liability (asset)	\$ 184	\$ (1,321)	\$ (2,601)

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018
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NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS – Continued

B. Retirement Health Insurance Account (RHIA) - Continued

RHIA Plan Fiduciary Net Position

Detailed information about the RHIA plan's fiduciary net position is available in the separately issued OPERS financial report.

NOTE 13 - RISK MANAGEMENT

The Internal Service (Self-Insurance) Fund charges other funds for the costs incurred for workers' compensation claims. Charges to other funds by the Self-Insurance Fund are recognized as revenues in the Self-Insurance Fund and as expenditures in the fund incurring the charges. The Self-Insurance Fund recognized approximately \$3.6 million of revenues from other governmental funds for the year ended June 30, 2018.

The District is exposed to various risks of loss related to injuries; torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters. The District is self-insured up to \$1 million and carries commercial excess insurance. Settlements have not exceeded insurance coverage for the years ended June 30, 2016, 2017 and 2018. There have been no reductions to the District's insurance coverage during the year ended June 30, 2018. The District anticipates that all accrued claims losses will be paid within twelve months.

The total claims payable at June 30, 2018 of \$5.9 million was made up of approximately \$4.3 million in worker's compensation claims (recorded in the Internal Service Fund) and \$1.6 million in property and general liability claims (accounted for in the General Fund and not accrued on the fund financial statements). Changes in the balances of claims liabilities during the years ended June 30, 2016, through June 30, 2018, were as follows:

Fiscal Year	Beginning Balance	New Claims	Payments on Claims	Ending Balance
2016	\$ 4,711	\$ 3,341	\$ (3,522)	\$ 4,530
2017	4,530	3,917	(1,575)	6,872
2018	6,872	3,543	(4,521)	5,894

NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES

Operating leases

The District has operating leases for Pearl School, Community Transition Program and various Equipment. Future minimum required payments under these operating leases are:

2019	\$ 1,328
2020	1,024
2021	617
Total minimum payments	<u>\$ 2,969</u>

School District No. 1J, Multnomah County, Oregon
 Notes to the Basic Financial Statements
 For the Year Ended June 30, 2018
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NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES - continued

Contracts

Under Oregon Revised Statute No. 279, should funding not be available, the following contracts may be cancelled without penalty. Estimated future District service commitments in excess of \$2 million are listed as follows:

Contractor	Commitments
First Student	\$ 111,764
Andersen/Colas Construction LLC	78,789
Bora Architects Inc	11,227
Opsis Architecture	9,959
Mortenson Construction	8,061
2KG Contractors Inc	7,121
McDonald Wholesale Co	6,056
Insight Investments LLC	6,000
Heery International Inc	5,947
Fortis Construction	5,900
Pacific Office Automation	4,818
Corp Inc	3,696
Northwest Engineering Services Inc	3,571
Copytronix	3,487
Rosemary Anderson High School	3,414
Bassetti Architects PS	3,401
Portland Community College	3,198
Alpenrose Dairy	3,063
Oh Planning Design Architecture	2,491
Multnomah County	2,456
Aecom Technical Services Inc	2,203
Ameresco Inc	2,181
Mahlum Architects Inc	2,062
	\$ 290,865

\$146,609 of the amounts reported above are related to ongoing construction projects.

Blanchard Educational Service Center (BESC)

In June 2000, Multnomah County leased a portion of the BESC facility from the District for \$3.5 million under a 99-year agreement. In December 2008, Portland Public Schools reacquired a portion of that space for \$800 thousand, which was fully paid as of June 30, 2014. This lease agreement stipulates that a portion of the initial lease payment received from Multnomah County be set aside to be applied toward the County's share of major repairs. Any unused balance earns interest at the monthly interest rate earned from the Local Government Investment Pool. As of June 30, 2018 Multnomah County's reserve balance held in the Facilities Capital Fund was \$522.

Pearl School

In July 2011 the District leased space from Nurture 247 LP, for the Pearl School. The initial lease was for a five-year period with an option to extend. The lease was renewed through June 30, 2019, at which time the District will allow the lease to expire.

School District No. 1J, Multnomah County, Oregon
Notes to the Basic Financial Statements
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NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES - continued

Community Transition Program

In July 2010 the District leased commercial space for its Special Education Community Transition Program from Weigel Properties LLC. The space has approximately 2,700 square feet located on N.E. MLK Jr. Boulevard in Portland, Oregon. The initial lease was for a three-year period with an option to extend. The lease was extended through June 30, 2020, with an option to renew for an additional two years.

Equipment Leases

In March 2015, the District entered into a five-year lease for floor maintenance equipment from All Lines Leasing for \$27 thousand per month, commencing July 2015.

In September 2015, the District entered into a five-year lease for IT equipment (United Power Supply Towers) from First American Equipment Finance for \$12 thousand per month, commencing April 2016.

In July 2016, the District entered into a five year lease for telephone and internet equipment and software from Bank of America Public Capital for \$39 thousand per month, commencing July 2016.

In October 2017, the District entered into a 51-month lease for IT equipment (laptops, chromebooks, etc.) from Insight Investments, LLC for \$4 thousand per month, commencing November 2017.

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.

Grantor Agencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the district. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although district management expects such amounts, if any, to be immaterial.

School Support Fund

A substantial portion of the District's funding consists of an apportionment of funds from the State Basic School Support Fund. This apportionment is determined by a formula taking into account the District's weighted average daily student membership and revenue derived from local District sources. Local District sources may vary from year to year and may be revised retroactively or prospectively changing the amount of State Basic School Support received or to be received.

School District No. 1J, Multnomah County, Oregon
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NOTE 15 – FUND BALANCES

Fund balances by classification for the year ended June 30, 2018 are as follows:

	General Fund	Other Major Funds	Other Govern- mental Funds	Total Govern- mental Funds
Nonspendable:				
Prepaid items - General Fund	\$ 103	\$ -	\$ -	\$ 103
Prepaid items - GO Bonds Fund	-	478	-	478
Prepaid items - Facilities Capital Fund	-	-	3	3
Inventories - Warehouse	240	-	-	240
Inventories - Cafeteria Fund	-	-	536	536
	343	478	539	1,360
Restricted:				
Special Revenue Funds:				
Student Body Activity Fund	-	-	4,369	4,369
Cafeteria Fund	-	-	4,922	4,922
Dedicated Resource Fund	-	-	9,171	9,171
Capital Projects Funds:				
Construction Excise Tax Fund	-	-	15,743	15,743
Full Faith and Credit Fund	-	-	1,926	1,926
Energy Efficient Schools Fund	-	-	2,144	2,144
GO Bonds Fund	-	440,662	-	440,662
Facilities Capital Fund	-	-	522	522
Partnership Fund	-	-	318	318
Debt Service Funds:				
GO Bond Debt Service Fund	-	4,229	-	4,229
	-	444,891	39,115	484,006
Committed:				
PERS Rate Stabilization Fund	-	17,209	-	17,209
Debt Service Fund- PERS UAL	-	-	1,907	1,907
	-	17,209	1,907	19,116
Assigned:				
Capital Projects Funds:				
IT System Project Fund	-	-	385	385
Full Faith and Credit Fund	-	-	3,896	3,896
Facilities Capital Fund	-	-	1,203	1,203
Capital Asset Renewal Fund	-	-	4,916	4,916
	-	-	10,400	10,400
Unassigned	37,939	-	-	37,939
Total fund balances	\$ 38,282	\$ 462,578	\$ 51,961	\$ 552,821

School District No. 1J, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2018

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

NOTE 16 – RELATED ORGANIZATIONS

The District includes seven charter schools that are legally separate, tax-exempt organizations. The most recent data available indicates charter school total students were 1,564 (representing 3.2% of the District's total enrollment); and that charter schools' Net Position was \$1,654. Because of their size relative to the District, the charter schools do not fall under the component unit reporting requirements set forth by GASB Statement No. 39.

NOTE 17 – ARTS TAX

In November, 2012, voters in the City of Portland passed Ballot Measure 26-146 to restore school arts and music education, funded through an income tax of \$35 per person per year. In December of 2012, the District entered into an intergovernmental agreement IGA/R 59656 with the City of Portland to receive a portion of this tax, to be used to provide arts and music education, through certified arts and music teachers, to all K-5 students, including charter schools within the District. Revenues and expenditures for the year ended June 30, 2018 are recorded in the General Fund as follows:

	Arts Tax Revenues	Arts Tax Expenditures ¹	FTE Funded	Number of Schools Funded	
				FTE Funded	Number of Schools Funded
Non-Charter Schools	\$ 4,741	\$ 4,836	73.40		60
Charter Schools	150	181	3.95		7
District Total	<u>\$ 4,891</u>	<u>\$ 5,017</u>	<u>77.35</u>		<u>67</u>

¹ Includes amounts for unexpended revenues carried forward from prior years.

NOTE 18 – TAX ABATEMENTS

The District is subject to tax abatements (exemptions) granted by Multnomah, Washington and Clackamas counties of Oregon. Counties are allowed to grant abatements due to numerous Oregon Revised Statutes (ORS). Washington and Clackamas counties had no tax abatements affecting the District. Multnomah county has numerous abatement programs which affected District revenue as described below.

Historic Property (ORS 358.475 to 545)

The Special Assessment for Historic Property program is a state-sponsored incentive program instituted in 1975 to encourage the preservation and appropriate rehabilitation of properties listed in the National Register of Historic Places. Under this program a property is specially assessed for a period of 10-15 years. This allows the owner to restore or improve the condition of the property and not pay additional taxes on the resulting increase in the property's value until the ten-year benefit period has expired.

Day Care Centers, Student Housing and Religious Schools (ORS 307.145)

The child care facilities, schools, academies and student housing accommodations, owned or being purchased by incorporated eleemosynary institutions or by incorporated religious organizations, used exclusively by such institutions or organizations for or in immediate connection with educational purposes, are exempt from taxation.

School District No. 1J, Multnomah County, Oregon
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NOTE 18 – TAX ABATEMENTS – continued

Homebuyer Opportunity Limited Tax Exemption (ORS 307.651 to 307.687)

The Homebuyer Opportunity Limited Tax Exemption program exempts the residential improvement value from real property taxation for a 10 or 15 year period, while the land remains taxable.

City of Portland Low Income Rental Housing (ORS 307.540 to 307.548)

In 1985, Oregon legislature authorized a property tax exemption for low-income housing held by charitable, nonprofit organizations. The tax exemption is intended to benefit low-income renters by alleviating property tax burden on those agencies that provide this housing opportunity. The qualifying property must be located within the city of Portland.

Enterprise Zone (ORS 285C.050 to 285C.255)

The Oregon Enterprise Zone program is a State of Oregon economic development program established, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor. The Enterprise Zone program allows industrial firms that will be making a substantial new capital investment a waiver of 100% of the amount of real property taxes attributable to the new investment for a 5-year period after completion. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

The Following schedule represents the District's portion of tax abatements granted by Multnomah County for 2017-18. Programs with exemptions totaling more than \$500 thousand were listed separately; all other programs were grouped together:

Exemption Program	Amount
Historic Property	\$ 2,945
Day Care Centers, Student Housing & Religious Schools	2,760
Home buyer Opportunity Limited Tax Exemption	527
City of Portland Low Income Rental Housing	3,185
Enterprise Zone	1,497
All other exemption programs	1,688
Total Abatements	<u><u>\$ 12,602</u></u>

NOTE 19 – PERS SIDE ACCOUNT

As described in Note 10-A, Limited Tax Pension Bonds, Portland Public Schools issued limited tax pension bonds in 2002, 2003 and 2012 to finance the estimated unfunded actuarial liability of the District. The total costs of financing the actuarial obligation resulted in significant savings to PPS. Bond proceeds were deposited in a PERS side account and accumulated earnings helped to reduce the District's PERS contribution rate. In some years, PPS' contractually established PERS contribution rate was reduced to a negative amount, resulting in a zero percent rate for that biennium.

At July 1, 2011, the District's PERS contribution rate increased from zero percent to 1.29 percent for Tier One / Tier Two members, and remained at zero percent for OPSRP members. At July 1, 2017, the District's PERS Contribution rate increased from zero percent to 6.16 percent for Tier One / Tier Two members and 0.90 percent for OPSRP

School District No. 1J, Multnomah County, Oregon
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NOTE 19 – PERS SIDE ACCOUNT - continued

members. For these two periods, PPS contributed the PERS contractually established percentage of covered payroll, while OPERS continued to reduce the PPS side account creating a double payment. This accumulated an approximately \$9.0 million credit to PPS. OPERS originally directed PPS to take the credit against future contributions. The District will meet with OPERS leadership to request the credit be deposited in the PPS PERS side account along with additional earnings that would have been credited if the funds had remained in the side account. At June 30, 2018, the credit amount is included in the District's financial statements as a reduction of accrued wages and benefits payable.

NOTE 20 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018, the date of the most recent statement of net position, has been evaluated for possible adjustment to the financial statements or disclosure is December 17, 2018, which is the date on which the financial statements were available to be issued.



REQUIRED SUPPLEMENTARY INFORMATION

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

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

Under the provisions of GASB Statement No. 68, a Schedule of the District's Proportion of Net Pension Liability and District Contributions is included in the Required Supplementary Information.

Under the provisions of GASB Statement No. 73, a Schedule of the District's Proportion of Net Pension Liability and District Contributions is included in the Required Supplementary Information.

Under the provisions of GASB Statement No. 75, a Schedule of the District's Proportionate Share of the Net OPEB Liability and District Contributions for RHIA and RHIS, and a Schedule of Changes in the District's Total OPEB Liability and Related Ratios for OPEB is included in the Required Supplementary Information.



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Required Supplementary Information

**Schedule of Changes in the District's Total OPEB Liability and Related Ratios- RHIS
Last 10 Fiscal Years¹
(amounts expressed in thousands)**

Total OPEB Liability

	2017	2018
Service cost	N/A	\$ 2,549
Interest	N/A	2,160
Change in benefit terms	N/A	-
Differences between expected and actual experience	N/A	-
Changes of assumptions or other inputs	N/A	(2,848)
Benefit payments	<u>N/A</u>	<u>(8,575)</u>
Net change in total OPEB liability	N/A	(6,714)
Total OPEB liability - beginning	N/A	77,498
Total OPEB liability - ending	<u>\$ 77,498</u>	<u>\$ 70,784</u>
Covered-employee payroll	\$ 316,998	\$ 327,668
Total OPEB liability as a percentage of covered-employee payroll	24.45%	21.60%

¹ Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

Requests for Information:

Copies of the District's most recent *Actuarial Valuation of GASB 45, GASB 75, and GASB 73 Postemployment Benefits* are available. Please direct requests to the Finance Department; Portland Public Schools; 501 N. Dixon Street; Portland, OR 97227.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Required Supplementary Information
Schedule of the District's Proportionate Share of Net OPEB Liability (Asset) and District Contributions - RHIA
Last 10 Fiscal Years¹
(amounts expressed in thousands)

District's Proportionate Share of Net OPEB Liability (Asset)

	2017	2018
District's proportion of the net OPEB liability/(asset)	3.284%	3.164%
District's proportionate share of the net OPEB liability (asset)	\$ 892	\$ (1,321)
District's covered-employee payroll ²	\$ 316,998	\$ 327,668
District's proportionate share of net OPEB liability (asset) as a percentage of covered-employee payroll	0.3%	-0.4%
Plan fiduciary net position as a percentage of the total OPEB liability	94.14%	108.89%
OPEB Measurement Date	6/30/2016	6/30/2017

¹ Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

² Amounts for covered payroll use the prior year's data to match the measurement date used by the pension plan (OPERS) for each fiscal year presented above.

Schedule of District Contributions

	2017	2018
Contractually required contribution	\$ 1,575	\$ 1,547
Contributions in relation to the contractually required contribution	1,575	1,547
Contribution deficiency(excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 316,998	\$ 327,668
Contributions as a percentage of covered-employee payroll	0.50%	0.47%

Copies of OPERS' most recent actuarial report of its Pension Plan are available at:

<http://www.oregon.gov/PERS/Pages/Financials/Previous-Years.aspx>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Required Supplementary Information

Schedule of the District's Proportionate Share of Net OPEB Liability (Asset) and District Contributions - RHIA - (continued)

Last 10 Fiscal Years¹

(amounts expressed in thousands)

Notes to Required Supplementary Information

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the annual letter from Oregon Public Employees Retirement System's actuary, which can be found at:

https://www.oregon.gov/pers/EMP/Documents/GASB/2018/GASB_75_2017.pdf

Changes of Assumptions

A summary of key changes implemented since the December 31, 2015 valuation are described in the Oregon Public Employees Retirement System's July 29, 2016 Board Meeting presentation, which can be found at:

<https://www.oregon.gov/PERS/Documents/Financials/Actuarial/2016/Actuarial-Valuation-Revised-7-29.pdf>

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2016 Experience Study for the System, which was published on July 26, 2017, and can be found at:

<https://www.oregon.gov/pers/Documents/2016-Exp-Study.pdf>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Required Supplementary Information
Schedule of the District's Proportionate Share of Net Pension Liability (Asset) and District Contributions
Last 10 Fiscal Years¹
(amounts expressed in thousands)

District's Proportionate Share of Net Pension Liability (Asset)

	2014	2015	2016	2017	2018
District's proportion of the net pension liability/asset	0.254%	0.254%	0.299%	1.380%	2.102%
District's proportionate share of the net pension liability (asset)	\$ 12,953	\$ (5,754)	\$ 17,185	\$ 207,203	\$ 283,305
District's covered payroll ²	\$ 256,741	\$ 264,386	\$ 283,935	\$ 316,998	\$ 327,668
District's proportionate share of net pension liability (asset) as a percent of covered payroll	5.0%	(2.2%)	6.1%	65.4%	86.5%
Plan fiduciary net position as a percentage of the total pension liability	92.0%	103.6%	91.9%	80.5%	83.12%
OPERS Measurement Date	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017

¹ Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

² Amounts for covered payroll use the prior year's data to match the measurement date used by the pension plan (OPERS) for each fiscal year presented above.

Schedule of District Contributions

	2014	2015	2016³	2017³	2018⁴
Contractually required contribution	\$ 4,785	\$ 4,895	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	4,785	4,895	-	-	-
Contribution deficiency(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 264,386	\$ 283,935	\$ 316,998	\$ 327,668	\$ 344,646
Contributions as a percentage of covered payroll	1.81%	1.72%	0.00%	0.00%	0.00%

³ Contribution rates were zero due to the rate offset provided by the District's OPERS side account funded by the district's Limited Tax Pension Bonds.

⁴ OPERS side account resources were used to satisfy all contribution requirements.

Copies of OPERS' most recent actuarial report of its Pension Plan are available at:
<http://www.oregon.gov/PERS/Pages/Financials/Previous-Years.aspx>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Required Supplementary Information
Schedule of the District's Proportionate Share of Net Pension Liability and District Contributions - (continued)
Last 10 Fiscal Years¹
(amounts expressed in thousands)

Notes to Required Supplementary Information

Changes in Plan Provisions

A summary of key changes in plan provisions are described in the annual letter from Oregon Public Employees Retirement System's actuary, which can be found at:

https://www.oregon.gov/pers/EMP/Documents/GASB/2018/GASB_75_2017.pdf

Changes of Assumptions

A summary of key changes implemented since the December 31, 2015 valuation are described in the Oregon Public Employees Retirement System's July 29, 2016 Board Meeting presentation, which can be found at:

<https://www.oregon.gov/PERS/Documents/Financials/Actuarial/2016/Actuarial-Valuation-Revised-7-29.pdf>

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2016 Experience Study for the System, which was published on July 26, 2017, and can be found at:

<https://www.oregon.gov/pers/Documents/2016-Exp-Study.pdf>

During a July 28, 2017 meeting, the PERS Board lowered the assumed investment rate of return from 7.5% to 7.2%, effective on January 1, 2018. This rate will be used for the determination of contribution rates beginning July 1, 2019. The Board revises the assumed rate based on the long-term projection of investment returns that can be expected from the asset allocations of the Oregon Investment Council and related capital market expectations. An estimate of the resulting change is not readily available at this time.

<http://www.oregon.gov/pers/Pages/Admin-Rules/Adopted-PERS-Administrative-Rules.aspx>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Required Supplementary Information
Schedule of Changes in the District's Total Pension Liability and Related Ratios-Stipend
Last 10 Fiscal Years¹
(amounts expressed in thousands)

Total Pension Liability

	2016	2017	2018
Service cost	N/A	\$ 174	\$ 212
Interest	N/A	304	211
Change in benefit terms	N/A	-	-
Differences between expected and actual experience	N/A	-	-
Changes of assumptions or other inputs	N/A	235	(158)
Benefit payments	<u>N/A</u>	<u>(1,301)</u>	<u>(1,389)</u>
Net change in total pension liability	N/A	(587)	(1,124)
Total pension liability - beginning	N/A	8,465	7,877
Total pension liability - ending	<u>\$ 8,465</u>	<u>\$ 7,877</u>	<u>\$ 6,753</u>
Covered-employee payroll	N/A	70,988	68,838
Total pension liability as a percentage of covered-employee payroll	N/A	11.10%	9.81%

¹ Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

² Assets are not accumulated in a trust. Contributions are financed on a pay-as-you-go basis.

Requests for Information:

Copies of the District's most recent *Actuarial Valuation of GASB 45, GASB 75, and GASB 73 Postemployment Benefits* are available. Please direct requests to the Finance Department; Portland Public Schools; 501 N. Dixon Street; Portland, OR 97227.



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

General Fund

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Property and other taxes	\$ 245,736	\$ 245,736	\$ 252,921	\$ 7,185
State School Fund	235,502	235,502	239,804	4,302
Local option taxes	86,416	86,416	89,663	3,247
County and intermediate sources	13,030	13,030	13,269	239
Federal and state support	-	-	22	22
State Common School Fund	6,190	6,190	5,155	(1,035)
Charges for services	3,160	3,160	3,900	740
Investment earnings	1,000	1,000	2,869	1,869
Other	5,632	5,632	5,211	(421)
Total revenues	596,666	596,666	612,814	16,148
EXPENDITURES				
Current:				
Instruction:				
Regular programs:				
Salaries and benefits	237,094	242,522	244,437	(1,915)
Materials and services	10,191	10,769	9,851	918
Total regular programs	247,285	253,291	254,288	(997)
Special programs:				
Salaries and benefits	59,913	59,947	57,946	2,001
Materials and services	26,404	26,426	26,480	(54)
Total special programs	86,317	86,373	84,426	1,947
Summer school programs:				
Salaries and benefits	464	464	609	(145)
Materials and services	185	185	89	96
Total summer school programs	649	649	698	(49)
Total instruction	334,251	340,313	339,412	901
Support services:				
Students:				
Salaries and benefits	50,658	50,363	49,936	427
Materials and services	4,284	3,413	5,291	(1,878)
Total students	54,942	53,776	55,227	(1,451)
Instructional staff:				
Salaries and benefits	28,147	29,206	28,016	1,190
Materials and services	3,699	4,078	2,481	1,597
Total instructional staff	31,846	33,284	30,497	2,787
General administration:				
Salaries and benefits	7,031	6,996	5,777	1,219
Materials and services	2,079	2,080	5,117	(3,037)
Total general administration	9,110	9,076	10,894	(1,818)

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, 2018

(amounts expressed in thousands)

	Budgeted Amounts	Actual Amounts	Variance from Final Budget
	Original	Final	Positive/ (Negative)
Support services (continued):			
School administration:			
Salaries and benefits	\$ 41,514	\$ 41,894	\$ (272)
Materials and services	701	701	57
Total school administration	<u>42,215</u>	<u>42,595</u>	<u>(215)</u>
Business:			
Salaries and benefits	49,136	49,372	4,905
Materials and services	42,314	38,498	(4,913)
Total business	<u>91,450</u>	<u>87,870</u>	<u>(8)</u>
Central:			
Salaries and benefits	16,811	16,807	2,544
Materials and services	5,347	5,536	(1,678)
Total central	<u>22,158</u>	<u>22,343</u>	<u>866</u>
Total support services	251,721	248,944	161
Enterprise and community services:			
Food Service:			
Salaries and benefits	83	83	(24)
Materials and services	-	-	(63)
Total Food Services	<u>83</u>	<u>83</u>	<u>(87)</u>
Community Services:			
Salaries and benefits	803	803	112
Materials and services	1,000	1,450	151
Total Community Services	<u>1,803</u>	<u>2,253</u>	<u>263</u>
Total enterprise and community services	1,886	2,336	176
Operating contingency	23,514	19,733	-
Total expenditures	<u>611,372</u>	<u>611,326</u>	<u>590,355</u>
Excess (deficit) of revenues over expenditures	<u>(14,706)</u>	<u>(14,660)</u>	<u>22,459</u>
			<u>37,119</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	750	1,050	1,006
Transfers out	(5,915)	(5,961)	(5,328)
Proceeds from the sale of capital assets	-	-	41
Total other financing sources and (uses)	<u>(5,165)</u>	<u>(4,911)</u>	<u>(4,281)</u>
Net change in fund balance	<u>(19,871)</u>	<u>(19,571)</u>	<u>18,178</u>
Fund balance - beginning of year	<u>19,871</u>	<u>19,871</u>	<u>20,104</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 38,282</u>
			<u>\$ 37,982</u>

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, 2018
(amounts expressed in thousands)**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Federal and state support	\$ 80,595	\$ 80,595	\$ 56,647	\$ (23,948)
County and intermediate sources	2,351	2,351	2,493	142
Other	551	551	638	87
Total revenues	<u>83,497</u>	<u>83,497</u>	<u>59,778</u>	<u>(23,719)</u>
EXPENDITURES				
Current:				
Instruction:				
Regular programs:				
Salaries and benefits	9,386	9,386	10,250	(864)
Materials and services	<u>12,503</u>	<u>12,503</u>	<u>2,332</u>	<u>10,171</u>
Total regular programs	<u>21,889</u>	<u>21,889</u>	<u>12,582</u>	<u>9,307</u>
Special programs:				
Salaries and benefits	20,264	20,264	14,256	6,008
Materials and services	<u>8,864</u>	<u>8,864</u>	<u>6,653</u>	<u>2,211</u>
Total special programs	<u>29,128</u>	<u>29,128</u>	<u>20,909</u>	<u>8,219</u>
Summer school programs:				
Salaries and benefits	141	141	131	10
Materials and services	<u>139</u>	<u>139</u>	<u>266</u>	<u>(127)</u>
Total summer school programs	<u>280</u>	<u>280</u>	<u>397</u>	<u>(117)</u>
Total instruction	<u>51,297</u>	<u>51,297</u>	<u>33,888</u>	<u>17,409</u>
Support services:				
Students:				
Salaries and benefits	12,854	12,854	10,298	2,556
Materials and services	<u>4,052</u>	<u>4,052</u>	<u>2,783</u>	<u>1,269</u>
Total students	<u>16,906</u>	<u>16,906</u>	<u>13,081</u>	<u>3,825</u>
Instructional staff:				
Salaries and benefits	7,133	7,133	5,606	1,527
Materials and services	<u>2,734</u>	<u>2,734</u>	<u>1,715</u>	<u>1,019</u>
Total instructional staff	<u>9,867</u>	<u>9,867</u>	<u>7,321</u>	<u>2,546</u>
General administration:				
Salaries and benefits	-	-	480	(480)
Materials and services	-	-	158	(158)
Total school administration	-	-	638	(638)
School administration:				
Salaries and benefits	579	579	807	(228)
Materials and services	<u>113</u>	<u>113</u>	<u>66</u>	<u>47</u>
Total school administration	<u>692</u>	<u>692</u>	<u>873</u>	<u>(181)</u>
Business:				
Materials and services	<u>108</u>	<u>108</u>	<u>259</u>	<u>(151)</u>
Total business	<u>108</u>	<u>108</u>	<u>259</u>	<u>(151)</u>

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, 2018
 (amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		Positive/ (Negative)
Support services (continued):				
Central:				
Salaries and benefits	\$ 180	\$ 180	\$ 77	\$ 103
Materials and services	1,568	1,568	622	946
Total central	1,748	1,748	699	1,049
Total support services	29,321	29,321	22,871	6,450
Enterprise and community services:				
Food services:				
Materials and services	657	657	975	(318)
Total food services	657	657	975	(318)
Community services:				
Salaries and benefits	1,732	1,732	1,779	(47)
Materials and services	490	490	265	225
Total community services	2,222	2,222	2,044	178
Total enterprise and community services	2,879	2,879	3,019	(140)
Total expenditures	83,497	83,497	59,778	23,719
Excess (deficit) of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
PERS Rate Stabilization Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2018
(amounts expressed in thousands)

						Variance from Final Budget Positive/ (Negative)			
	Budgeted Amounts		Actual Amounts						
	Original	Final							
REVENUES									
Property and other taxes	\$ 235	\$ 235	\$ 273	\$ 38					
Investment earnings	90	90	123	33					
Total revenues	<u>325</u>	<u>325</u>	<u>396</u>	<u>71</u>					
Net change in fund balance	325	325	396	71					
Fund balance - beginning of year	16,746	16,746	16,813	67					
Fund balance - end of year	<u>\$ 17,071</u>	<u>\$ 17,071</u>	<u>\$ 17,209</u>	<u>\$ 138</u>					

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

SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
COMBINING STATEMENTS
Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

Student Body Activity Fund

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

Cafeteria Fund

The Cafeteria Fund accounts for revenues and expenditures of the District's food service programs. Principal revenue sources are cash sales and federal subsidies under the National School Lunch and Breakfast Programs, and the sales of food in the BESC Cafeteria.

Dedicated Resource Fund

The Dedicated Resource Fund (formerly called the Special Revenue Fund) accounts for specific project revenues and expenditures such as state grants, foundation grants, donations, and charges to participants.

DEBT SERVICE FUNDS

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

IT Projects Debt Service Fund

This fund is used for debt service payments of a \$15.0 million Full Faith and Credit bank loan that was executed on October 8, 2009.

PERS UAL Debt Service Fund

This fund was established to separately account for debt service payments related to series 2002 and 2003 Limited Tax Pension Obligation Bonds.

Full Faith and Credit Debt Service Fund

This fund is used to manage the repayment of principal and interest for debt incurred using funds borrowed under the full faith and credit facility of the District. The fund captures principal and interest payments for multiple borrowings, each of which fund a specific venture or capital expenditure.

COMBINING STATEMENTS **Nonmajor Governmental Funds (continued)**

CAPITAL PROJECTS FUNDS

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

Construction Excise Tax Fund

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

IT System Project Fund

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

Full Faith and Credit Fund

This fund is used to manage capital expenditures for specifically authorized projects, including those projects funded with proceeds from full faith and credit borrowings.

Energy Efficient Schools Fund

This fund was established to separately account for resources and requirements of the Energy Efficient Schools Program receipts from the collections of the Public Purpose Charge funds by an electric company.

Facilities Capital Fund

This fund was established to separately account for resources and requirements resulting from capital improvements work conducted by the District. Primary sources of revenue are transfers from the General Fund and debt proceeds.

Capital Asset Renewal Fund

This fund was established to separately account for future resources and requirements that relate to life-cycle renewal of major building components. Primary sources of revenue are lease revenues, surplus property sales, athletic field rental income, and redirection of Recovery Zone Bond utility savings.

School Modernization Partnership Fund

This fund is used to manage non-bond-funded capital improvement work conducted by the District in conjunction with external partners. Primary sources of revenue are from external partners.

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Governmental Funds
Combining Balance Sheet by Fund Types
June 30, 2018
(amounts expressed in thousands)

	Total Nonmajor			Total
	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
ASSETS				
Cash and cash equivalents-unrestricted	\$ 17,819	\$ 1,907	\$ 28,208	\$ 47,934
Investments	-	-	9,988	9,988
Accounts and other receivables	3,954	-	600	4,554
Due from other funds	743	-	-	743
Prepaid Items	-	-	3	3
Inventories	536	-	-	536
Total assets	\$ 23,052	\$ 1,907	\$ 38,799	\$ 63,758
LIABILITIES				
Accounts payable	\$ 2,142	\$ -	\$ 7,716	\$ 9,858
Accrued wages and benefits	800	-	27	827
Deferred revenues	1,112	-	-	1,112
Total liabilities	4,054	-	7,743	11,797
FUND BALANCES				
Nonspendable	536	-	3	539
Restricted	18,462	-	20,653	39,115
Committed	-	1,907	-	1,907
Assigned	-	-	10,400	10,400
Total fund balances	18,998	1,907	31,056	51,961
Total liabilities, deferred inflows and fund balances	\$ 23,052	\$ 1,907	\$ 38,799	\$ 63,758

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2018
(amounts expressed in thousands)

	Student Body			Dedicated	
	Activity	Cafeteria		Resource	
	Fund	Fund		Fund	
ASSETS					
Cash and cash equivalents	\$ 4,959	\$ 3,853		\$ 9,007	\$ 17,819
Accounts and other receivables	37	1,649		2,268	3,954
Due from other funds	743	-		-	743
Inventories	-	536		-	536
Total assets	\$ 5,739	\$ 6,038		\$ 11,275	\$ 23,052
LIABILITIES					
Accounts payable	\$ 1,370	\$ 482		\$ 290	\$ 2,142
Accrued wages and benefits	-	98		702	800
Deferred Revenues	-	-		1,112	1,112
Total liabilities	1,370	580		2,104	4,054
FUND BALANCES					
Nonspendable	-	536		-	536
Restricted	4,369	4,922		9,171	18,462
Total fund balances	4,369	5,458		9,171	18,998
Total liabilities and fund balances	\$ 5,739	\$ 6,038		\$ 11,275	\$ 23,052



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Debt Service Funds
Balance Sheet
June 30, 2018
(amounts expressed in thousands)

	PERS UAL Debt Service Fund
ASSETS	
Cash and cash equivalents	\$ 1,907
Total assets	<u>\$ 1,907</u>
FUND BALANCES	
Committed	1,907
Total fund balances	<u>1,907</u>
Total fund balances	<u>\$ 1,907</u>

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Nonmajor Capital Projects Funds

Combining Balance Sheet

June 30, 2018

(amounts expressed in thousands)

	Construction Excise Tax Fund	IT System Project Fund	Full Faith and Credit Fund
ASSETS			
Cash and cash equivalents	\$ 12,233	\$ 441	\$ 6,232
Investments	9,988	-	-
Accounts and other receivables	1	-	-
Prepaid Items	-	-	-
Total assets	\$ 22,222	\$ 441	\$ 6,232
LIABILITIES			
Accounts payable	\$ 6,479	\$ 56	\$ 383
Accrued wages and benefits	-	-	27
Total liabilities	6,479	56	410
FUND BALANCES			
Nonspendable	-	-	-
Restricted	15,743	-	1,926
Assigned	-	385	3,896
Total fund balances	15,743	385	5,822
Total liabilities and fund balances	\$ 22,222	\$ 441	\$ 6,232

Energy Efficient Schools Fund	Facilities Capital Fund	Capital Asset Renewal Fund	School Modernization Partnership Fund	Total
\$ 2,086	\$ 2,308	\$ 4,885	\$ 23	\$ 28,208
-	-	-	-	9,988
143	-	31	425	600
-	3	-	-	3
\$ 2,229	\$ 2,311	\$ 4,916	\$ 448	\$ 38,799
\$ 85	\$ 583	\$ -	\$ 130	\$ 7,716
-	-	-	-	27
85	583	-	130	7,743
-	3	-	-	3
2,144	522	-	318	20,653
-	1,203	4,916	-	10,400
2,144	1,728	4,916	318	31,056
\$ 2,229	\$ 2,311	\$ 4,916	\$ 448	\$ 38,799

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, 2018

(amounts expressed in thousands)

	Total Nonmajor			
	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES				
Property and other taxes	\$ -	\$ -	\$ 8,201	\$ 8,201
Federal and state support	12,985	117	-	13,102
County and intermediate sources	1,901	-	-	1,901
Charges for services	4,525	47,683	728	52,936
Extracurricular activities	7,304	-	-	7,304
Investment earnings	-	457	245	702
Other	6,387	-	2,468	8,855
Total revenues	33,102	48,257	11,642	93,001
EXPENDITURES				
Current:				
Instruction:				
Regular programs	11,677	-	-	11,677
Special programs	1,970	-	-	1,970
Summer school programs	28	-	-	28
Total instruction	13,675	-	-	13,675
Support services:				
Students	617	-	-	617
Instructional staff	308	-	-	308
General administration	9	-	-	9
School administration	305	-	-	305
Business	77	-	873	950
Central	810	-	886	1,696
Total support services	2,126	-	1,759	3,885
Enterprise and community services:				
Food services	17,762	-	-	17,762
Community services	20	-	-	20
Total enterprise and community services	17,782	-	-	17,782
Facilities acquisition and construction:				
Debt Service:				
Principal	-	16,044	-	16,044
Interest and fiscal charges	-	35,398	-	35,398
Total debt service	-	51,442	-	51,442
Total expenditures	33,583	51,442	20,656	105,681
Excess (deficit) of revenues over expenditures	(481)	(3,185)	(9,014)	(12,680)
OTHER FINANCING SOURCES (USES)				
Transfers in	37	4,451	1,503	5,991
Transfers out	(1,044)	-	(625)	(1,669)
Proceeds from the sale of capital assets	655	-	-	655
Total other financing sources (uses)	(352)	4,451	878	4,977
Net change in fund balances	(833)	1,266	(8,136)	(7,703)
Fund balances - beginning of year	19,831	641	39,192	59,664
Fund balances - end of year	\$ 18,998	\$ 1,907	\$ 31,056	\$ 51,961

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2018
(amounts expressed in thousands)

	Student Body Activity Fund	Cafeteria Fund	Dedicated Resource Fund	Total
REVENUES				
Federal and state support	\$ -	\$ 12,690	\$ 295	\$ 12,985
County and intermediate sources	-	-	1,901	1,901
Charges for services	-	4,179	346	4,525
Extracurricular activities	7,304	-	-	7,304
Other	-	60	6,327	6,387
Total revenues	7,304	16,929	8,869	33,102
EXPENDITURES				
Current:				
Instruction:				
Regular programs	7,192	-	4,485	11,677
Special programs	-	-	1,970	1,970
Summer school programs	-	-	28	28
Total instruction	7,192	-	6,483	13,675
Support services:				
Students	-	-	617	617
Instructional staff	-	-	308	308
General administration	-	-	9	9
School administration	-	-	305	305
Business	-	-	77	77
Central	-	-	810	810
Total support services	-	-	2,126	2,126
Enterprise and community services:				
Food services	-	17,748	14	17,762
Community services	-	-	20	20
Total enterprise & community service	-	17,748	34	17,782
Total expenditures	7,192	17,748	8,643	33,583
Excess (deficit) of revenues over expenditures	112	(819)	226	(481)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	37	37
Transfers out	-	-	(1,044)	(1,044)
Proceeds from the sale of capital assets	-	-	655	655
Total other financing sources (uses)	-	-	(352)	(352)
Net change in fund balances	112	(819)	(126)	(833)
Fund balances - beginning of year	4,257	6,277	9,297	19,831
Fund balances - end of year	\$ 4,369	\$ 5,458	\$ 9,171	\$ 18,998

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Nonmajor Debt Service Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2018

(amounts expressed in thousands)

	IT Projects Debt Service Fund	PERS UAL Debt Service Fund	Full Faith and Credit Debt Service Fund	Total
REVENUES				
Charges for services	\$ -	\$ 47,683	\$ -	\$ 47,683
Investment earnings	-	457	-	457
Federal and state support	-	-	117	117
Total revenues	-	48,140	117	48,257
EXPENDITURES				
Current:				
Debt Service:				
Principal	2,533	12,077	1,434	16,044
Interest and fiscal charges	175	34,797	426	35,398
Total expenditures	2,708	46,874	1,860	51,442
Excess (deficit) of revenues over expenditures	(2,708)	1,266	(1,743)	(3,185)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,708	-	1,743	4,451
Total other financing sources (uses)	2,708	-	1,743	4,451
Net change in fund balances	-	1,266	-	1,266
Fund balances - beginning of year	-	641	-	641
Fund balances - end of year	\$ -	\$ 1,907	\$ -	\$ 1,907



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2018
(amounts expressed in thousands)

	Construction Excise Tax Fund	IT System Project Fund	Full Faith and Credit Fund
REVENUES			
Property and other taxes	\$ 8,201	\$ -	\$ -
Charges for services	-	-	-
Investment earnings	224	11	-
Other	-	-	-
Total revenues	<u>8,425</u>	<u>11</u>	<u>-</u>
EXPENDITURES			
Current:			
Support services:			
Business	-	-	868
Central	-	886	-
Total support services	<u>-</u>	<u>886</u>	<u>868</u>
Facilities acquisition and construction:	<u>11,462</u>	<u>-</u>	<u>3,675</u>
Total expenditures	<u>11,462</u>	<u>886</u>	<u>4,543</u>
Excess (deficit) of revenues over expenditures	<u>(3,037)</u>	<u>(875)</u>	<u>(4,543)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	275	-
Transfers out	(625)	-	-
Total other financing sources (uses)	<u>(625)</u>	<u>275</u>	<u>-</u>
Net change in fund balances	<u>(3,662)</u>	<u>(600)</u>	<u>(4,543)</u>
Fund balances - beginning of year	<u>19,405</u>	<u>985</u>	<u>10,365</u>
Fund balances - end of year	<u>\$ 15,743</u>	<u>\$ 385</u>	<u>\$ 5,822</u>

Energy Efficient Schools Fund	Facilities Capital Fund	Capital Asset Renewal Fund	School Modernization Partnership Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 8,201
-	-	728	-	728
-	10	-	-	245
1,465	-	-	1,003	2,468
1,465	10	728	1,003	11,642
-	5	-	-	873
-	-	-	-	886
-	5	-	-	1,759
1,558	1,504	-	698	18,897
1,558	1,509	-	698	20,656
(93)	(1,499)	728	305	(9,014)
-	1,228	-	-	1,503
-	-	-	-	(625)
-	1,228	-	-	878
(93)	(271)	728	305	(8,136)
2,237	1,999	4,188	13	39,192
\$ 2,144	\$ 1,728	\$ 4,916	\$ 318	\$ 31,056



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, 2018

(amounts expressed in thousands)

	Budgeted Amounts	Actual Amounts	Variance from Final Budget
	Original	Final	Positive/ (Negative)
REVENUES			
Extracurricular activities	\$ 9,000	\$ 9,000	\$ 7,304 \$ (1,696)
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>7,304</u> <u>(1,696)</u>
EXPENDITURES			
Current:			
Instruction:			
Regular programs			
Materials and services	9,000	9,000	7,192 1,808
Total instruction	9,000	9,000	7,192 1,808
Total expenditures	9,000	9,000	7,192 1,808
Excess of revenues over expenditures and net change in fund balance	-	-	112 112
Fund balance - beginning of year	4,096	4,096	4,257 161
Fund balance - end of year	<u>\$ 4,096</u>	<u>\$ 4,096</u>	<u>\$ 4,369</u> <u>\$ 273</u>

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Cafeteria Fund

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

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Federal and state support	\$ 13,910	\$ 13,910	\$ 12,690	\$ (1,220)
Charges for services	3,922	3,922	4,179	257
Other	7	7	60	53
Total revenues	17,839	17,839	16,929	(910)

EXPENDITURES

Current:

Enterprise and community services:				
Food services:				
Salaries and benefits	8,533	8,533	8,021	512
Materials and services	11,849	11,849	9,727	2,122
Total enterprise and community services	20,382	20,382	17,748	2,634
Total expenditures	20,382	20,382	17,748	2,634
Excess (deficit) of revenues over expenditures	(2,543)	(2,543)	(819)	1,724
Net change in fund balance	(2,543)	(2,543)	(819)	1,724
Fund balance - beginning of year	4,251	4,251	6,277	2,026
Fund balance - end of year	\$ 1,708	\$ 1,708	\$ 5,458	\$ 3,750

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Dedicated Resource Fund

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

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 494	\$ 494	\$ 346	\$ (148)
County and intermediate sources	1,642	1,642	1,901	259
Federal and state support	58	58	295	237
Other	5,119	5,119	6,327	1,208
Total revenues	7,313	7,313	8,869	1,556
EXPENDITURES				
Current:				
Instruction:				
Regular programs:				
Salaries and benefits	3,845	3,845	3,774	71
Materials and services	1,333	1,333	711	622
Total regular programs	5,178	5,178	4,485	693
Special programs:				
Salaries and benefits	5,092	4,742	1,687	3,055
Materials and services	1,615	1,615	283	1,332
Total special programs	6,707	6,357	1,970	4,387
Summer school programs:				
Salaries and benefits	428	428	26	402
Materials and services	82	82	2	80
Total summer school programs	510	510	28	482
Total instruction	12,395	12,045	6,483	5,562
Support services:				
Students:				
Salaries and benefits	334	334	322	12
Materials and services	367	367	295	72
Total students	701	701	617	84
Instructional staff:				
Salaries and benefits	865	865	242	623
Materials and services	578	578	66	512
Total instructional staff	1,443	1,443	308	1,135
General administration:				
Materials and services	350	350	9	341
Total general administration	350	350	9	341
School administration:				
Salaries and benefits	75	75	294	(219)
Materials and services	138	138	11	127
Total school administration	213	213	305	(92)

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Dedicated Resource Fund

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

For the year ended June 30, 2018

(amounts expressed in thousands)

Budgeted Amounts		Actual Amounts	Variance from Final Budget
Original	Final		Positive/ (Negative)

Support services (continued):			
Business:			
Materials and services	\$ 3	\$ 3	\$ 77 \$ (74)
Total business	3	3	77 (74)
Central:			
Materials and services	614	614	810 (196)
Total central	614	614	810 (196)
Total support services	3,324	3,324	2,126 1,198
Enterprise and community services:			
Food Services:			
Materials and services	87	87	14 73
Total food services	87	87	14 73
Community services:			
Salaries and benefits	37	37	- 37
Materials and services	60	60	20 40
Total community services	97	97	20 77
Total enterprise and community services	184	184	34 150
Facilities acquisition & construction:			
Materials and services	-	50	- 50
Total facilities acquisition and construction	-	50	- 50
Total expenditures	15,903	15,603	8,643 6,960
Excess (deficit) of revenues over expenditures	(8,590)	(8,290)	226 8,516
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	37 37
Transfers out	(750)	(1,050)	(1,044) 6
Proceeds from the sale of capital assets	307	307	655 348
Total other financing sources (uses)	(443)	(743)	(352) 391
Net change in fund balance	(9,033)	(9,033)	(126) 8,907
Fund balance - beginning of year	9,033	9,033	9,297 264
Fund balance - end of year	\$ -	\$ -	\$ 9,171 \$ 9,171

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

IT Projects Debt Service Fund

Schedule of Expenditures and

Changes in Fund Balance - Budget and Actual

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		Positive/ (Negative)
EXPENDITURES				
Current:				
Debt service:				
Principal	\$ 2,533	\$ 2,533	\$ 2,533	\$ -
Interest and fiscal charges	175	175	175	-
Total debt service	2,708	2,708	2,708	-
Total expenditures	2,708	2,708	2,708	-
OTHER FINANCING SOURCES (USES)				
Transfers in	2,708	2,708	2,708	-
Total other financing sources (uses)	2,708	2,708	2,708	-
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 UAL Debt Service Fund

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

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget	
	Original	Final		Positive/ (Negative)	
REVENUES					
Charges for services	\$ 46,694	\$ 46,694	\$ 47,683	\$ 989	
Investment earnings	180	180	457	277	
Total revenues	46,874	46,874	48,140	1,266	
EXPENDITURES					
Current:					
Debt service:					
Principal	12,077	12,077	12,077	-	
Interest and fiscal charges	34,797	34,797	34,797	-	
Total debt service	46,874	46,874	46,874	-	
Total expenditures	46,874	46,874	46,874	-	
Excess of revenues over expenditures and net change in fund balance	-	-	1,266	1,266	
Fund balance - beginning of year	4	4	641	637	
Fund balance - end of year	\$ 4	\$ 4	\$ 1,907	\$ 1,903	

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Full Faith and Credit Debt Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

For the year ended June 30, 2018
(amounts expressed in thousands)

	Budgeted Amounts	Actual	Variance from Final Budget
	Original	Final	Positive/ (Negative)
REVENUES			
Federal and state support	\$ 110	\$ 110	\$ 117
Total revenues	<u>110</u>	<u>110</u>	<u>117</u>
	\$ 110	\$ 110	\$ 7
EXPENDITURES			
Current:			
Debt service:			
Principal	1,434	1,434	1,434
Interest and fiscal charges	426	426	426
Total debt service	1,860	1,860	1,860
	<u>1,860</u>	<u>1,860</u>	<u>1,860</u>
	1,860	1,860	-
Total expenditures	<u>1,860</u>	<u>1,860</u>	<u>1,860</u>
	1,860	1,860	-
Excess (deficit) of revenues over expenditures	<u>(1,750)</u>	<u>(1,750)</u>	<u>(1,743)</u>
	(1,750)	(1,750)	7
OTHER FINANCING SOURCES (USES)			
Transfers in	2,375	2,375	1,743
Total other financing sources (uses)	<u>2,375</u>	<u>2,375</u>	<u>1,743</u>
	2,375	2,375	(632)
Net change in fund balance	625	625	-
	<u>625</u>	<u>625</u>	<u>(625)</u>
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 625</u>	<u>\$ 625</u>	<u>\$ -</u>
	\$ 625	\$ 625	\$ (625)

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, 2018
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Construction excise tax	\$ 6,001	\$ 6,001	\$ 8,201	\$ 2,200
Investment earnings	2	2	224	222
Total revenues	<u>6,003</u>	<u>6,003</u>	<u>8,425</u>	<u>2,422</u>
EXPENDITURES				
Current:				
Facilities acquisition & construction:				
Salaries and benefits	-	-	41	(41)
Materials and services	22,905	22,905	11,421	11,484
Total facilities acquisition & construction	22,905	22,905	11,462	11,443
Total expenditures	<u>22,905</u>	<u>22,905</u>	<u>11,462</u>	<u>11,443</u>
Excess (deficit) of revenues over expenditures	<u>(16,902)</u>	<u>(16,902)</u>	<u>(3,037)</u>	<u>13,865</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(625)</u>	<u>(625)</u>	<u>(625)</u>	<u>-</u>
Total other financing sources (uses)	<u>(625)</u>	<u>(625)</u>	<u>(625)</u>	<u>-</u>
Net change in fund balance	(17,527)	(17,527)	(3,662)	13,865
Fund balance - beginning of year	17,527	17,527	19,405	1,878
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,743</u>	<u>\$ 15,743</u>

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

IT System Project Fund

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

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts	Actual Amounts	Variance from Final Budget
	Original	Final	Positive/ (Negative)
REVENUES			
Investment earnings	\$ 10	\$ 10	\$ 1
Total revenues	10	10	1
EXPENDITURES			
Current:			
Support services:			
Central:			
Salaries and benefits	93	70	- 70
Materials and services	1,227	1,295	886 409
Total central	1,320	1,365	886 479
Total support services	1,320	1,365	886 479
Total expenditures	1,320	1,365	886 479
Excess (deficit) of revenues over expenditures	(1,310)	(1,355)	(875) 480
OTHER FINANCING SOURCES (USES)			
Transfers in	230	275	275 -
Net change in fund balance	(1,080)	(1,080)	(600) 480
Fund balance - beginning of year	1,080	1,080	985 (95)
Fund balance - end of year	\$ -	\$ -	\$ 385 \$ 385

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Full Faith and Credit Fund

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

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts	Actual Amounts	Variance from Final Budget
	Original	Final	Positive/ (Negative)
EXPENDITURES			
Current:			
Support services			
Business:			
Salaries and benefits	\$ -	\$ 460	\$ - 460
Materials and services	2,700	4,832	868 3,964
Total business	<u>2,700</u>	<u>5,292</u>	<u>868</u> <u>4,424</u>
Total support services expenditures	2,700	5,292	868 4,424
Facilities acquisition & construction:			
Materials and services	300	5,073	3,675 1,398
Total facilities acquisition & construction	300	5,073	3,675 1,398
Total expenditures	<u>3,000</u>	<u>10,365</u>	<u>4,543</u> <u>5,822</u>
Excess (deficit) of revenues over expenditures	<u>(3,000)</u>	<u>(10,365)</u>	<u>(4,543)</u> <u>5,822</u>
Net change in fund balance	<u>(3,000)</u>	<u>(10,365)</u>	<u>(4,543)</u> <u>5,822</u>
Fund balance - beginning of year	<u>3,000</u>	<u>10,365</u>	<u>10,365</u> <u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,822</u> <u>\$ 5,822</u>

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Energy Efficient Schools Fund

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

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts	Actual Amounts	Variance from Final Budget
	Original	Final	Positive/ (Negative)
REVENUES			
Investment earnings	\$ 2	\$ 2	\$ (2)
Other	813	813	652
Total revenues	<u>815</u>	<u>815</u>	<u>650</u>
EXPENDITURES			
Current:			
Facilities acquisition & construction:			
Materials and services	2,694	2,694	1,136
Total facilities acquisition & construction	2,694	2,694	1,136
Total expenditures	<u>2,694</u>	<u>2,694</u>	<u>1,136</u>
Excess (deficit) of revenues over expenditures and net change in fund balance	<u>(1,879)</u>	<u>(1,879)</u>	<u>(93)</u>
			1,786
Fund balance - beginning of year	1,879	1,879	358
Fund balance - end of year	<u>\$ -</u>	<u>\$ 2,144</u>	<u>\$ 2,144</u>

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Facilities Capital Fund

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

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts	Actual Amounts	Variance from Final Budget
	Original	Final	Positive/ (Negative)
REVENUES			
Investment earnings	\$ -	\$ -	\$ 10 \$ 10
Other	184	184	- (184)
Total revenues	184	184	10 (174)
EXPENDITURES			
Current:			
Support Services:			
Business:			
Materials and services	5	5	5 -
Total support services	5	5	5 -
Facilities acquisition & construction:			
Salaries and benefits	138	-	20 (20)
Materials and services	2,860	2,998	1,484 1,514
Total facilities acquisition & construction	2,998	2,998	1,504 1,494
Total expenditures	3,003	3,003	1,509 1,494
Excess (deficit) of revenues over expenditures	(2,819)	(2,819)	(1,499) 1,320
OTHER FINANCING SOURCES (USES)			
Transfers in	1,228	1,228	1,228 -
Total other financing sources (uses)	1,228	1,228	1,228 -
Net change in fund balance	(1,591)	(1,591)	(271) 1,320
Fund balance - beginning of year	1,591	1,591	1,999 408
Fund balance - end of year	\$ -	\$ -	\$ 1,728 \$ 1,728

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Capital Asset Renewal Fund

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

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final	Amounts	Positive/ (Negative)
REVENUES				
Charges for services	\$ 350	\$ 350	\$ 728	\$ 378
Investment earnings	1	1	-	(1)
Total revenues	<u>351</u>	<u>351</u>	<u>728</u>	<u>377</u>
EXPENDITURES				
Current:				
Facilities acquisition & construction:				
Materials and services	4,249	4,249	-	4,249
Total facilities acquisition & construction	4,249	4,249	-	4,249
Total expenditures	<u>4,249</u>	<u>4,249</u>	<u>-</u>	<u>4,249</u>
Excess (deficit) of revenues over expenditures and net change in fund balance	(3,898)	(3,898)	728	4,626
Fund balance - beginning of year	3,898	3,898	4,188	290
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,916</u>	<u>\$ 4,916</u>

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

School Modernization Partnership Fund

Schedule of Revenues, Expenditures, and

Changes in Fund Balance - Budget and Actual

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts	Actual Amounts	Variance from Final Budget
	Original	Final	Positive/ (Negative)
REVENUES			
Funding from external partners	\$ 3,214	\$ 3,214	\$ 1,003
Total revenues	<u>3,214</u>	<u>3,214</u>	<u>1,003</u>
EXPENDITURES			
Current:			
Facilities acquisition & construction:			
Materials and services	4,264	4,264	698
Total facilities acquisition & construction	4,264	4,264	698
Total expenditures	<u>4,264</u>	<u>4,264</u>	<u>698</u>
Excess (deficit) of revenues over expenditures and net change in fund balance	(1,050)	(1,050)	305
Fund balance - beginning of year	1,050	1,050	13
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318</u>

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



BUDGETARY COMPARISON SCHEDULES
Other funds



SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

GO Bond Debt Service Fund

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

For the year ended June 30, 2018
(amounts expressed in thousands)

	Budgeted Amounts	Actual Amounts	Variance from Final Budget
	Original	Final	Positive/ (Negative)
REVENUES			
Property and other taxes	\$ 116,139	\$ 116,139	\$ 44
Investment earnings	100	100	775
Total revenues	116,239	116,239	719
EXPENDITURES			
Current:			
Debt service:			
Principal	74,765	74,765	93,830
Interest and fiscal charges	41,474	41,474	22,200
Total debt service	116,239	116,239	116,030
Total expenditures	116,239	116,239	116,030
Excess of revenues over expenditures and net change in fund balance	-	-	928
Fund balance - beginning of year	2,288	2,288	3,301
Fund balance - end of year	\$ 2,288	\$ 2,288	\$ 4,229

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

GO Bonds Fund

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

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts	Actual Amounts	Variance from Final Budget
	Original	Final	Positive/ (Negative)
REVENUES			
Investment earnings	\$ 2,977	\$ 2,977	\$ (1,077) (4,054)
Other	-	-	767 767
Total revenues	<u>2,977</u>	<u>2,977</u>	<u>(310)</u> <u>(3,287)</u>
EXPENDITURES			
Current:			
Support services:			
Business:			
Materials and services	786	3,560	3,219 341
Total support services	786	3,560	3,219 341
Facilities acquisition & construction:			
Salaries and benefits	2,741	2,064	2,223 (159)
Materials and services	180,354	178,257	91,923 86,334
Total facilities acquisition and construction	183,095	180,321	94,146 86,175
Operating contingency	412,398	412,398	- 412,398
Total expenditures	596,279	596,279	97,365 498,914
Excess (deficit) of revenues over expenditures	(593,302)	(593,302)	(97,675) 495,627
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of property	-	-	44 44
Issuance of debt	462,160	462,160	410,840 (51,320)
Premium on issuance of debt	15,000	15,000	11,060 (3,940)
Total other financing sources (uses)	<u>477,160</u>	<u>477,160</u>	<u>421,944</u> <u>(55,216)</u>
Net change in fund balance	(116,142)	(116,142)	324,269 440,411
Fund balance - beginning of year	116,142	116,142	116,871 729
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441,140</u> <u>\$ 441,140</u>

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

SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON

Self-Insurance Fund

**Schedule of Revenues, Expenses, and
Changes in Retained Earnings - Budget and Actual**

For the year ended June 30, 2018

(amounts expressed in thousands)

	Budgeted Amounts	Actual Amounts	Variance from Final Budget
	Original	Final	Positive/ (Negative)
OPERATING REVENUES			
Charges for services	\$ 3,542	\$ 3,542	\$ 38
Insurance recoveries	-	-	9
Total operating revenues	<u>3,542</u>	<u>3,542</u>	<u>47</u>
OPERATING EXPENSES			
Support services:			
Salaries and benefits	363	363	317
Materials and services	397	397	303
Claims expense	<u>3,024</u>	<u>3,024</u>	<u>1,002</u>
Total support services	3,784	3,784	1,142
Operating contingency	<u>5,342</u>	<u>5,342</u>	<u>-</u>
Total operating expenses	9,126	9,126	2,642
Operating income (loss)	<u>(5,584)</u>	<u>(5,584)</u>	<u>947</u>
NON OPERATING REVENUES			
Investment income	3	3	81
Federal and state support	250	250	203
Total non-operating revenues	<u>253</u>	<u>253</u>	<u>31</u>
Change in net position	(5,331)	(5,331)	1,231
Beginning net position - budgetary basis	<u>5,331</u>	<u>5,331</u>	<u>4,706</u>
Ending net position - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (625)</u>
Reconciliation:			
Net OPEB liability, deferred inflows, and deferred outflows			(40)
Accrued compensated absences			(32)
Net pension liability, deferred inflows, and deferred outflows			(98)
Net position - GAAP basis			<u>\$ 5,767</u>

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



Statistical



Statistical

Statistical Section

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

<u>Contents</u>	<u>Page</u>
<i>Financial Trends (Schedules 1-4)</i>	140
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
<i>Revenue Capacity (Schedules 5-9)</i>	148
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
<i>Debt Capacity (Schedules 10-12)</i>	154
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
<i>Demographic and Economic Information (Schedules 13-14)</i>	158
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
<i>Operating Information (Schedules 15-17)</i>	161
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Government-wide Activities			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assets				
Current and other assets	\$ 175,091	\$ 174,564	\$ 177,558	\$ 180,957
Prepaid pension & other prepaid items	455,247	445,555	436,790	425,421
Net capital assets	<u>185,571</u>	<u>194,725</u>	<u>200,731</u>	<u>199,058</u>
Total assets	<u>815,909</u>	<u>814,844</u>	<u>815,079</u>	<u>805,436</u>
 Deferred Outflows of Resources				
Pension & OPEB				
 Liabilities				
Other current liabilities	96,163	75,555	77,535	83,977
Other long-term liabilities	10,320	34,182	62,851	57,972
Limited tax pension bonds payable	459,756	450,125	440,491	430,058
Pension	-	-	-	-
Other post employment benefits	<u>17,762</u>	<u>24,741</u>	<u>29,667</u>	<u>33,595</u>
Total liabilities	<u>584,001</u>	<u>584,603</u>	<u>610,544</u>	<u>605,602</u>
 Deferred Inflows of Resources				
Insurance recovery				
Pension & OPEB				
 Net Assets				
Invested in capital assets, net of related debt	181,442	186,783	164,033	157,209
Restricted	-	8,426	25,597	21,577
Unrestricted	<u>50,466</u>	<u>35,032</u>	<u>14,905</u>	<u>21,048</u>
Total Net Assets	<u>\$ 231,908</u>	<u>\$ 230,241</u>	<u>\$ 204,535</u>	<u>\$ 199,834</u>
 Net Position				
Net investment in capital assets				
Restricted				
Unrestricted				
Total Net Position				

Note: The District Implemented GASB 65 beginning in 2013. As a result, Net Assets format is presented for years prior to 2013, and Net Position format is presented for 2013 and subsequent years.

Government-wide Activities

<u>2013</u>	<u>2014- restated</u>	<u>2015</u>	<u>2016</u>	<u>2017-restated</u>	<u>2018</u>
\$ 298,246	\$ 304,224	\$ 579,805	\$ 487,394	\$ 364,732	\$ 715,738
414,407	2,149	5,754	1,628	1,080	884
<u>213,944</u>	<u>233,265</u>	<u>273,957</u>	<u>382,401</u>	<u>506,612</u>	<u>594,103</u>
<u>926,597</u>	<u>539,638</u>	<u>859,516</u>	<u>871,423</u>	<u>872,424</u>	<u>1,310,725</u>
	4,785	6,801	3,200	163,562	173,727
87,185	90,983	105,763	121,321	181,480	278,587
182,759	244,301	495,290	453,679	359,702	591,262
419,034	407,499	395,958	384,075	372,249	360,172
-	-	-	17,185	215,080	290,058
<u>36,263</u>	<u>35,579</u>	<u>32,900</u>	<u>29,933</u>	<u>78,390</u>	<u>70,784</u>
<u>725,241</u>	<u>778,362</u>	<u>1,029,911</u>	<u>1,006,193</u>	<u>1,206,901</u>	<u>1,590,863</u>
819	-	-	-	-	-
-	-	11,102	6,062	12,845	30,419
<u>819</u>	<u>-</u>	<u>11,102</u>	<u>6,062</u>	<u>12,845</u>	<u>30,419</u>
146,148	183,584	230,251	260,146	297,914	379,871
131,060	119,224	394,845	283,176	172,880	486,336
(76,671)	(536,747)	(799,792)	(680,955)	(654,554)	(1,003,037)
<u>\$ 200,537</u>	<u>\$ (233,939)</u>	<u>\$ (174,696)</u>	<u>\$ (137,633)</u>	<u>\$ (183,760)</u>	<u>\$ (136,830)</u>

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

	Government-wide Activities			
	2009	2010	2011	2012
Expenses				
Instruction	\$ 306,993	\$ 323,190	\$ 315,465	\$ 287,424
Support services	196,857	183,267	204,613	206,856
Enterprise and community services	16,653	17,135	19,758	19,108
Facilities services	6,899	14,177	11,649	10,697
Interest and fees on long-term debt	1,600	1,642	2,135	25,748
Total expenses	<u>529,002</u>	<u>539,411</u>	<u>553,620</u>	<u>549,833</u>
Program Revenues				
Charges for services:				
Instruction	4,783	4,898	4,799	5,046
Support services	3,075	2,883	2,348	2,109
Enterprise and community services	4,442	4,655	4,666	4,422
Operating grants and contributions:				
Instruction	72,121	71,538	75,981	71,319
Support services	28,722	27,585	25,844	25,447
Enterprise and community services	2,620	2,548	3,915	2,863
Total program revenues	<u>115,763</u>	<u>114,107</u>	<u>117,553</u>	<u>111,206</u>
Net Expenses	(413,239)	(425,304)	(436,067)	(438,627)
General Revenues:				
Property taxes levied for general purposes	181,928	189,234	194,170	200,906
Property taxes levied for debt service	-	-	-	-
Construction excise tax	1,962	1,192	1,361	2,108
Local option taxes levied for general purposes	37,364	38,292	38,226	53,622
State School Fund - general support	151,376	155,566	139,229	149,031
State Common School Fund - general support	3,717	4,544	4,461	4,138
County and intermediate sources - general support	10,271	10,223	9,543	9,588
Federal Stimulus	8,816	12,182	14,349	595
Investment earnings	3,477	781	582	403
Other	8,463	9,905	8,440	13,535
Total general revenues	<u>407,374</u>	<u>421,919</u>	<u>410,361</u>	<u>433,926</u>
Extraordinary items	-	1,718	-	-
Change in Net Assets	\$ (5,865)	\$ (1,667)	\$ (25,706)	\$ (4,701)

Change in Net Position

Note: The District Implemented GASB 65 beginning in 2013. As a result, Net Assets format is presented for years prior to 2013, and Net Position format is presented for 2013 and subsequent years.

Government-wide Activities

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	267,192	\$ 308,652	\$ 326,935	\$ 364,964	\$ 380,939	\$ 421,311
194,270	200,750	212,213	241,016	272,816	283,984	
18,923	19,164	20,445	21,326	20,712	24,218	
31,635	1,470	2,617	1,230	12,672	8,531	
<u>26,813</u>	<u>33,546</u>	<u>31,600</u>	<u>40,116</u>	<u>39,094</u>	<u>46,416</u>	
<u>538,833</u>	<u>563,582</u>	<u>593,810</u>	<u>668,652</u>	<u>726,233</u>	<u>784,460</u>	
5,958	5,989	6,457	996	533	406	
2,852	2,857	2,916	3,157	4,424	4,741	
4,123	4,420	4,214	4,521	3,471	4,006	
<u>62,006</u>	<u>58,418</u>	<u>65,409</u>	<u>58,619</u>	<u>57,608</u>	<u>57,116</u>	
23,437	17,693	21,638	22,356	22,758	22,871	
2,623	2,240	2,704	3,085	2,934	3,019	
<u>100,999</u>	<u>91,617</u>	<u>103,338</u>	<u>92,734</u>	<u>91,728</u>	<u>92,159</u>	
(437,834)	(471,965)	(490,472)	(575,918)	(634,505)	(692,301)	
205,177	213,115	222,872	233,548	242,899	248,281	
-	44,765	46,568	48,985	49,384	116,468	
3,619	4,889	6,076	5,886	7,542	8,201	
51,357	55,709	62,923	76,467	83,853	88,163	
151,369	184,690	179,505	211,253	207,182	239,804	
4,608	4,427	4,721	5,810	6,191	5,155	
14,560	15,736	15,202	15,772	17,270	17,662	
6	-	-	-	-	-	
644	774	1,285	3,140	4,007	3,473	
<u>10,518</u>	<u>11,253</u>	<u>10,563</u>	<u>12,120</u>	<u>17,501</u>	<u>12,024</u>	
<u>441,858</u>	<u>535,358</u>	<u>549,715</u>	<u>612,981</u>	<u>635,829</u>	<u>739,231</u>	
<u>\$ 4,024</u>	<u>\$ 63,393</u>	<u>\$ 59,243</u>	<u>\$ 37,063</u>	<u>\$ 1,324</u>	<u>\$ 46,930</u>	

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

	Governmental Activities			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund				
Nonspendable	\$ 1,881	\$ 1,587	\$ 795	\$ 452
Restricted	-	-	-	-
Committed	2,000	2,000	1,289	1,583
Assigned	-	-	-	-
Unassigned	<u>46,079</u>	<u>50,185</u>	<u>29,457</u>	<u>28,890</u>
Total general fund	<u>49,960</u>	<u>53,772</u>	<u>31,541</u>	<u>30,925</u>
All Other				
Governmental Funds				
Nonspendable	635	446	522	390
Restricted	11,039	21,648	25,137	27,471
Committed	16,800	16,800	26,899	20,461
Assigned	-	-	-	-
Unassigned	<u>(2,467)</u>	<u>(14,536)</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>26,007</u>	<u>24,358</u>	<u>52,558</u>	<u>48,322</u>
Total Governmental Fund Balances	<u>\$ 75,967</u>	<u>\$ 78,130</u>	<u>\$ 84,099</u>	<u>\$ 79,247</u>

Governmental Activities

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 139	\$ 200	\$ 247	\$ 386	\$ 360	\$ 343
-	560	-	-	-	-
-	-	-	-	-	-
-	-	-	7,200	7,200	-
<u>37,318</u>	<u>50,914</u>	<u>34,195</u>	<u>30,249</u>	<u>12,544</u>	<u>37,939</u>
<u>37,457</u>	<u>51,674</u>	<u>34,442</u>	<u>37,835</u>	<u>20,104</u>	<u>38,282</u>
473	2,370	2,452	2,286	1,417	1,017
144,677	127,176	393,179	281,089	170,614	484,006
15,486	16,342	17,590	16,400	17,454	19,116
-	-	5,549	6,182	7,164	10,400
-	-	-	-	-	-
160,636	145,888	418,770	305,957	196,649	514,539
<u>\$ 198,093</u>	<u>\$ 197,562</u>	<u>\$ 453,212</u>	<u>\$ 343,792</u>	<u>\$ 216,753</u>	<u>\$ 552,821</u>

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

	Governmental Activities			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues				
Property and other taxes	\$ 181,847	\$ 190,105	\$ 196,044	\$ 200,716
State School Fund	151,376	155,566	139,229	149,031
State Common School Fund	3,717	4,544	4,461	4,138
Federal and state support	89,014	74,055	79,034	84,704
Local option taxes	37,042	38,470	38,603	53,099
County and intermediate sources	10,271	10,224	9,544	9,588
Federal stimulus	10,206	26,972	28,991	4,591
Charges for services	12,300	12,436	11,814	45,953
Extracurricular activities	7,524	7,423	7,563	7,355
Investment earnings	3,310	1,037	649	579
Other	<u>13,450</u>	<u>13,131</u>	<u>11,991</u>	<u>15,127</u>
Total revenues	<u>520,057</u>	<u>533,963</u>	<u>527,923</u>	<u>574,881</u>
Expenditures				
Current:				
Instruction	301,457	310,846	314,597	305,238
Support services	192,384	199,983	205,869	207,691
Enterprise and community services	16,386	17,106	20,001	19,782
Facilities acquisition and construction	6,899	14,166	11,546	10,613
Debt Service:				
Principal	7,291	5,901	8,082	56,963
Interest	<u>1,499</u>	<u>1,740</u>	<u>2,043</u>	<u>25,608</u>
Total expenditures	<u>525,916</u>	<u>549,742</u>	<u>562,138</u>	<u>625,895</u>
Excess (deficit) of revenues over expenditures	<u>(5,859)</u>	<u>(15,779)</u>	<u>(34,215)</u>	<u>(51,014)</u>
Other Financing Sources (Uses)				
Transfers in	9,913	7,550	9,939	14,090
Transfers out	(7,913)	(7,550)	(6,939)	(9,680)
Proceeds from the sale of capital assets	743	2,942	434	102
Issuance of debt, including premium/discount	-	15,000	36,750	27,250
Issuance of refunding bonds	-	-	-	14,400
Total other financing sources (uses)	<u>2,743</u>	<u>17,942</u>	<u>40,184</u>	<u>46,162</u>
Net change in fund balances	<u>\$ (3,116)</u>	<u>\$ 2,163</u>	<u>\$ 5,969</u>	<u>\$ (4,852)</u>
Debt service as a percentage of noncapital expenditure:	1.7%	1.4%	1.8%	13.4%

Governmental Activities

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 208,434	\$ 260,872	\$ 274,219	\$ 287,035	\$ 298,114	\$ 377,578
151,369	184,690	179,505	211,253	207,182	239,804
4,608	4,427	4,721	5,810	6,191	5,155
71,942	65,231	75,793	71,024	70,667	69,771
51,720	56,013	63,274	76,593	84,106	89,663
14,560	15,736	15,201	15,771	17,270	17,663
1,920	155	-	-	-	-
48,674	51,874	54,233	49,312	52,953	56,836
7,867	8,308	8,276	7,904	7,489	7,304
632	757	1,255	3,096	3,930	3,392
16,315	13,138	15,414	16,215	22,414	15,471
<u>578,041</u>	<u>661,201</u>	<u>691,891</u>	<u>744,013</u>	<u>770,316</u>	<u>882,637</u>
303,360	323,921	349,667	362,126	369,841	386,975
193,375	202,233	229,254	248,377	266,961	278,758
19,710	20,059	21,902	21,925	22,838	22,961
31,575	31,105	54,830	127,491	149,868	113,043
62,443	51,500	55,033	47,020	50,065	109,874
<u>26,318</u>	<u>34,921</u>	<u>33,811</u>	<u>46,610</u>	<u>46,867</u>	<u>57,598</u>
<u>636,781</u>	<u>663,739</u>	<u>744,497</u>	<u>853,549</u>	<u>906,440</u>	<u>969,209</u>
(58,740)	(2,538)	(52,606)	(109,536)	(136,124)	(86,572)
55,786	9,013	14,409	7,407	16,141	6,997
(55,786)	(9,013)	(14,409)	(7,407)	(16,141)	(6,997)
655	2,007	44	116	37	740
176,931	-	308,212	-	9,048	421,900
-	-	-	-	-	-
<u>177,586</u>	<u>2,007</u>	<u>308,256</u>	<u>116</u>	<u>9,085</u>	<u>422,640</u>
<u>\$ 118,846</u>	<u>\$ (531)</u>	<u>\$ 255,650</u>	<u>\$ (109,420)</u>	<u>\$ (127,039)</u>	<u>\$ 336,068</u>
14.7%	13.7%	12.9%	12.9%	12.6%	19.7%

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

Assessed Value (not including exempt property)						
Fiscal Year		Personal Property	Manufactured Structures	Total Assessed Value		
Ending June 30,	Real Property			Public Utility		
2009	\$ 36,093,965	\$ 1,901,468	\$ 14,130	\$ 1,383,226	\$ 39,392,789	
2010	37,714,170	1,883,081	15,640	1,607,399	41,220,290	
2011	38,951,439	1,903,652	41,782	1,629,651	42,526,524	
2012	40,421,170	1,687,236	41,578	1,568,907	43,718,891	
2013	41,725,902	1,691,285	18,523	1,538,735	44,974,445	
2014	43,211,127	1,716,219	17,485	1,613,794	46,558,625	
2015	45,073,153	1,757,198	18,655	1,673,302	48,522,308	
2016	47,216,863	1,838,347	23,782	1,710,931	50,789,923	
2017	49,437,875	1,943,596	23,198	1,799,222	53,203,891	
2018	52,196,539	2,009,538	22,243	1,913,350	56,141,671	

Notes:

1. Beginning July 1, 1997 property taxes were based on an assessed value. Assessed value is defined as the lower of "maximum assessed value" or "real market value". For the 1997-1998 tax year, "maximum assessed value" was set at the 1995-1996 real market value less 10 percent. Assessed value for later years is limited to 3 percent annual increases.
2. The net levy is the actual imposed tax after adjustments and constitutional property tax limitations due to the passing of Measure 5 in 1990 and Measure 50 in 1997.
3. Source for real market values is Tax Supervising & Conservation Commission and Multnomah County annual reports yearly real market and assessed values by county.

Source:

FY 2009-2018: Oregon Property Tax Statistics Supplement for the appropriate fiscal year. Values are the *combined* total for the taxing district, "Portland 1J School", in Multnomah, Clackamas and Washington counties.

<https://www.oregon.gov/DOR/programs/gov-research/Pages/research-property.aspx>

Add: Non-Housing	Less: Urban Profit	Less: Urban Renewal	Total Net	Total Direct	Amount tax rate will raise	Less: Reduction and Adjustments	Total Taxes Imposed (Net Levy)
			<u>Assessed Value</u>	Tax Rate			
\$ 23,270	\$ 3,635,372	\$ 35,780,687	6.5281	\$ 233,580	\$ 8,151	\$ 225,429	
23,968	4,189,459	37,054,799	6.5281	241,897	8,996	232,901	
19,736	4,425,353	38,120,907	6.5281	248,857	9,390	239,467	
20,328	4,519,149	39,220,070	7.2681	285,055	24,051	261,004	
20,938	4,653,499	40,341,884	7.2681	293,209	29,814	263,395	
21,566	4,833,326	41,746,865	8.3571	348,883	27,190	321,693	
22,213	4,907,733	43,636,788	8.3535	364,520	23,132	341,388	
22,880	5,237,111	45,575,692	8.3632	381,159	12,569	368,590	
23,566	5,882,588	47,344,869	8.3304	394,402	7,687	386,715	
21,662	6,457,719	49,705,614	9.6863	481,463	4,666	476,797	

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

District Direct Rates						
Fiscal Year	General Tax Permanent Rate	Local Option	General Obligation Debt Service Bonds	Total Direct Tax Rate	Portland Community College	Multnomah Education Service District
2009	\$ 5.2781	\$ 1.2500	\$ -	\$ 6.5281		
2010	5.2781	1.2500	-	6.5281		
2011	5.2781	1.2500	-	6.5281		
2012	5.2781	1.9900	-	7.2681		
2013	5.2781	1.9900	-	7.2681		
2014	5.2781	1.9900	1.0890	8.3571		
2015	5.2781	1.9900	1.0854	8.3535		
2016	5.2781	1.9900	1.0951	8.3632		
2017	5.2781	1.9900	1.0623	8.3304		
2018	5.2781	1.9900	2.4182	9.6863		
Fiscal Year	Multnomah County	Port of Portland	Metro	City of Portland	Portland Community College	Multnomah Education Service District
2009	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576
2010	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576
2011	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576
2012	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576
2013	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576
2014	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576
2015	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576
2016	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576
2017	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576
2018	4.3434	0.0701	0.0966	4.5770	0.2828	0.4576

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

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

Schedule 7
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Principal Property Tax Payers for Multnomah County
Prior Year and Nine Years Ago
Taxing District - 311 Portland Public School District
(dollars in thousands)

Taxpayers with Ten Highest Taxable Assessed Values	2017 ¹			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
			%			%
Port of Portland	\$ 300,322	1	0.63	\$ 219,478	2	0.64
Portland General Electric Co	300,293	2	0.63	215,419	3	0.63
Comcast Corporation	241,492	3	0.51			
Weston Investment Co. LLC	238,696	4	0.50	195,447	4	
Evraz Inc.	230,608	5	0.49			
Port of Portland	220,608	6	0.47	170,879	6	0.50
AT&T	200,368	7	0.42	116,645	10	0.34
Century Link	183,014	8	0.39			
Capref Lloyd Center LLC	181,807	9	0.38			
111 SW 5th Avenue	158,300	10	0.33			
Qwest Corporation				236,317	1	0.69
Oregon Steel Mills Inc.				179,314	5	
LC Portland,LLC				153,028	7	
555 SW Oak LLC				119,142	8	0.35
Oregon Arena Corporation				118,588	9	0.35
Subtotal of Ten Largest Taxpayers	2,255,508		4.75	1,724,257		3.50
All Other Taxpayers	45,089,361		95.25	32,527,673		96.50
Total All Taxpayers	\$ 47,344,869		100.00 %	\$ 34,251,930		100.00 %

Notes:

¹ 2018 information not available at time of distribution

Source: Multnomah County, Division of Assessment and Taxation & Tax Supervising & Conservation Commission.

Schedule 8
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Principal Property Tax Payers for Multnomah County
Prior Year and Nine Years Ago
Taxing District - 170 Multnomah County
(dollars in thousands)

Taxpayers with Ten Highest Taxable Assessed Values	2017 ¹			2008			Percentage of Total Taxable Assessed Value %	
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value %	Taxable Assessed Value	Rank			
			%					
Port of Portland	\$ 604,909	1	0.76 %	\$ 422,052	1	0.78 %		
Portland General Electric Co.	497,684	2	0.63	360,561	2	0.66		
Comcast Corporation	491,284	3	0.62					
Alaska Airlines	415,492	4	0.52					
Pacifcorp (PP&L)	344,862	5	0.43	249,364	4	0.46		
Weston Investment Co. LLC	279,033	6	0.35	222,420	5	0.41		
Evraz Inc.	230,608	7	0.29					
AT&T	228,048	8	0.29					
Southwest Airlines Co.	224,514	9	0.28					
Century Link	216,452	10	0.27					
Qwest Corporation				277,369	3	0.51		
Verizon Communications				190,967	6	0.35		
Boeing Company				181,111	7	0.33		
Oregon Steel Mills Inc.				179,314	8	0.33		
Northwest Natural Gas Co.				165,077	9	0.30		
LC Portland LLC				153,028	10	0.28		
Subtotal of Ten Largest Taxpayers	3,532,886		4.44	2,401,263		4.41		
All Other Taxpayers	<u>76,018,715</u>		<u>95.56</u>	<u>51,902,047</u>		<u>95.59</u>		
Total All Taxpayers	\$ 79,551,601		<u>100.00</u>	<u>\$ 54,303,310</u>		<u>100.00</u>		

¹ 2018 information not available at time of distribution

Source: Multnomah County, Division of Assessment and Taxation.

Schedule 9
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Property Tax Levies and Collections
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years ²	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 226,206	\$ 211,232	93.38%	\$ 8,567	\$ 219,799	97.17%
2010	233,861	219,970	94.06	7,646	227,616	97.33
2011	239,467	225,418	94.13	6,971	232,389	97.04
2012	261,004	244,408	93.64	6,971	251,379	96.31
2013	263,395	248,807	94.46	6,245	255,052	96.83
2014	321,693	304,458	94.64	6,725	311,183	96.73
2015	341,388	323,906	94.88	5,844	329,750	96.59
2016	368,590	350,212	95.01	4,545	354,757	96.25
2017	386,715	368,085	95.18	3,317	371,402	96.04
2018	476,797	451,059	94.60	-	451,059	94.60

Note:

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

¹ The net levy is the actual imposed tax after adjustments and constitutional property tax limitations due to the passing of Measure 5 in 1990 and Measure 50 in 1997. Additional information can be found on Schedule 5. Note that the Net Taxes Levied in Schedule 5 is based on the Assessed Value, while data for this schedule is based on the actual Net Taxes Levied.

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

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

Schedule 10
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per student and per capita)

General Bonded Debt								
Fiscal Year	General Obligation Bonds	Less Amount Available for Repayment	Net Unamortized Premium (Discount)	Net General Obligation Bonds Outstanding	Percentage of Actual Taxable Value of Property		General Obligation Debt Per Capita	
					1	2		
2009	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	
2010	-	-	-	-	-	-	-	
2011	-	-	-	-	-	-	-	
2012	-	-	-	-	-	-	-	
2013	144,840	-	13,347	158,187	0.39%	3,329	206	
2014	108,890	(361)	10,209	118,738	0.28%	2,469	153	
2015	343,575	(1,363)	39,974	382,186	0.88%	7,887	484	
2016	311,720	(2,698)	37,726	346,748	0.76%	7,066	434	
2017	276,870	(3,301)	35,507	309,076	0.65%	6,283	N/A	
2018	593,880	(4,229)	43,937	633,588	1.27%	12,785	N/A	
Other Governmental Activities Debt								
Fiscal Year	Limited Tax Pension Bonds ⁵	Full Faith & Credit Obligations	Small Scale Energy Loan Programs	Recovery Zone Bond	Qualified Zone Academy Bond (QZAB)			
					Bond (QZAB)	Other Debt		
2009	\$ 465,622	\$ 15,090	\$ 2,092	\$ -	\$ -	\$ 2,035		
2010	454,630	26,316	1,369	-	-	1,992		
2011	443,571	48,095	676	11,000	-	-		
2012	431,638	45,877	325	10,190	-	-		
2013	419,034	14,768	179	9,356	-	471		
2014	407,500	12,261	-	8,496	-	-		
2015	395,958	9,970	-	7,611	-	-		
2016	384,074	7,601	-	6,698	-	-		
2017	372,250	10,200	-	5,757	4,000	-		
2018	360,172	7,402	-	4,789	3,800	-		

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

¹ See Schedule 5 for property value data. The total estimated actual value of taxable property cannot be reasonably estimated.

² Student enrollment data can be found in Schedule 17.

³ Includes net general bonded debt and other governmental activities debt, excluding amounts available for repayment.

⁴ Per capita is calculated using the estimated District population from the US Department of Commerce, Bureau of Economic Analysis as reported in Schedule 13. Data for 2017 and 2018 not available at time of printing.

⁵ Limited Tax Pension Bonds are not included in the General Bonded Debt schedule above since they are not repaid directly with property tax dollars.

Unamortized Premium (Discount)	Net			Per Capita ⁴
	Total	District	Per Student	
	3	2		
(174)	\$ 484,665	\$ 10,529	\$ 667	
(181)	484,126	10,394	666	
(188)	503,154	10,754	673	
(195)	487,835	10,320	643	
(202)	601,793	12,663	785	
(209)	547,147	11,376	704	
(198)	796,890	16,445	1,008	
(187)	747,632	15,234	935	
(176)	704,408	14,320	N/A	
(165)	1,013,815	20,458	N/A	

Schedule 11
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Direct and Overlapping Governmental Activities Debt
June 30, 2017
(dollars in thousands)

<u>Overlapping Issuer</u>	<u>Net Property-tax Backed Debt¹</u>	<u>Percent Overlapping</u>	<u>Overlapping Debt²</u>
Burlington Water District	\$ 1,316	100.00 %	1,316
City of Beaverton	34,218	1.65	566
City of Lake Oswego	59,225	5.38	3,188
City of Milwaukie	13,250	0.85	113
City of Portland	176,992	86.42	152,957
Clackamas County	138,185	0.11	146
Clackamas Cty RFPD 1	25,770	0.16	42
Metro	205,735	40.47	83,259
Mt Hood Community College	21,960	0.07	16
Multnomah County	369,970	76.18	281,839
Multnomah Cty Drainage District 1	4,500	100.00	4,500
Multnomah Cty RFPD 10	3,019	0.25	7
Portland Community College	461,072	50.77	234,102
Tualatin Hills Park & Rec District	77,707	1.22	944
Tualatin Valley Fire & Rescue District	30,635	1.95	598
Valley View Water District	1,435	100.00	1,435
Washington County	219,116	0.61	1,327
Subtotal, overlapping debt			<u>766,355</u>
Direct District debt (PERS) ³			360,008
Direct District debt (other) ³			653,807
Subtotal, Direct debt			<u>1,013,815</u>
Total direct and overlapping debt			<u>\$ 1,780,170</u>

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

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

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

³ Direct District debt is net of unamortized premiums and discounts.

Source:

Oregon State Treasury, Debt Management Division

Schedule 12
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2018

Real Market Value	\$ 121,647,528
Debt Limit (7.95% of Real Market Value) ¹	9,670,978
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonded Debt	637,817
Less: Amount Available in Debt Service Funds	<u>(4,229)</u>
Amount of Debt Applicable to Debt Limit	<u>633,588</u>
Legal Debt Margin	<u><u>\$ 9,037,390</u></u>

	Debt Limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to the limit as a percentage of debt limit
2009	\$ 6,267,884	\$ -	\$ 6,267,884	0.00%
2010	6,194,374	-	6,194,374	0.00%
2011	6,028,990	-	6,028,990	0.00%
2012	5,680,406	-	5,680,406	0.00%
2013	5,604,461	158,187	5,446,274	2.82%
2014	5,917,214	118,738	5,798,476	2.01%
2015	6,517,491	382,186	6,135,305	5.86%
2016	7,228,979	346,748	6,882,231	4.80%
2017	8,501,342	309,076	8,192,266	3.64%
2018	9,670,978	633,588	9,037,390	6.55%

Allowable Percentage of Real Market Value:

A Kindergarten through eighth grade, 9 x .0055	4.95%
B Ninth through twelfth, 4 x .0075	<u>3.00%</u>
Allowable Percentage	<u><u>7.95%</u></u> ¹

¹ ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Aggregates are governed by real market values within the District based on the following:

- A For each grade from kindergarten to eighth for which the District operates schools, fifty-five one-hundredths of one percent (.0055) of the real market value.
- B For each grade from ninth to twelfth for which the District operates schools, seventy-five one-hundredths of one percent (.0075) of the real market value.

Source:

Market value from Multnomah County, Tax Supervising and Conservation Commission

Schedule 13
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Demographic and Economic Statistics
Last Ten Calendar Years
Multnomah County

Year	Population	Personal Income (thousands of dollars)		Per Capita Personal Income (dollars)		Unemployment Rate²
2009	726,855	\$	29,430,654	\$	40,490	9.5%
2010	737,476		29,458,183		39,945	9.4
2011	748,031		31,161,157		41,658	9.1
2012	759,256		32,715,802		43,089	8.2
2013	766,135		33,376,029		43,564	7.5
2014	776,712		36,588,018		47,106	6.1
2015	790,294		38,906,295		49,230	5.3
2016	801,539		41,735,341		52,069	4.9
2017	807,555		43,873,915		54,329	4.3
2018	- ¹		- ¹		- ¹	4.0

¹ Data for 2018 not available at time of printing.

² Rates as of June 30th each year.

Sources:

Population, personal income and per capita information: US Department of Commerce, Bureau of Economic Analysis.

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

Schedule 14
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Principal Employers for the Portland Metro Area
Current Year and Nine Years Ago

Employer	2018			2009			Percentage of Total Employment
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment	
Ten Largest Employers							
Intel Corporation	19,300	1	1.59 %	15,500	1	1.59 %	
Providence Health & Services	17,543	2	1.45	12,000	4	1.23	
Oregon Health & Science University	16,200	3	1.33	12,600	3	1.29	
Legacy Health System	12,955	4	1.07	8,251	6	0.85	
Nike Inc.	12,000	5	0.99	7,000	7	0.72	
Fred Meyer	10,637	6	0.88	14,684	2	1.50	
City of Portland	7,043	7	0.58	5,587	10	0.57	
Portland Public Schools	6,780	8	0.56				
Multnomah County	6,266	9	0.52	5,640	9	0.58	
Beaverton School District	5,207	10	0.43				
Kaiser Foundation Health Plan				9,000	5	0.92	
Wells Fargo & Co.				5,969	8	0.61	
Subtotal of Ten Largest Employers	113,931		9.40	96,231		9.86	
All Other Employers	<u>1,099,869</u>		<u>90.60</u>	<u>879,769</u>		<u>90.14</u>	
Total Portland MSA¹ Employment	<u>1,213,800</u> ²		<u>100.00</u> %	<u>976,000</u>		<u>100.00</u> %	

¹ Portland-Vancouver-Hillsboro MSA includes Clackamas, Columbia, Multnomah, Washington, and Yamhill counties in Oregon, and Clark and Skamania counties in Washington.

² As of June 2018, not seasonally adjusted.

Sources:

Portland Business Journal, Book of Lists published December 2008 & December 2017.
Oregon Employment Department, Workforce and Economic Research



Schedule 15
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Full-time Equivalent District Employees by Assignment/Function
Last Five Fiscal Years

Assignment/Function	Full-time Equivalent Employees for the Fiscal Year				
	2014	2015	2016	2017	2018
Teachers	2,384.0	2,606.8	2,632.5	2,737.7	2,684.2
Educational Assistants	509.8	582.1	667.8	674.3	680.8
School Level Administration	142.3	155.0	151.0	166.5	167.3
District Level Administration	11.0	17.0	22.0	21.0	19.2
Other Staff	1,720.0	2,056.5	1,959.4	2,123.1	2,275.2
Total FTE	<u>4,767.1</u>	<u>5,417.4</u>	<u>5,432.7</u>	<u>5,722.6</u>	<u>5,826.7</u>

Source: District System Planning and Performance department.
Prior year data changes due to system adjustment between Human Resource & Enrollment Department.

Schedule 16
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
Meal and Transportation Services Provided
Last Ten Fiscal Years

	2009	2010	2011	2012	2013
Nutrition Services					
Number of Meals Served ¹					
Paid Meals	1,439,321	26%	1,443,806	25%	1,421,889
Reduced Meals	562,630	10%	549,157	10%	502,171
Free Meals	<u>3,485,451</u>	64%	<u>3,651,647</u>	65%	<u>3,560,515</u>
Total meals served	<u>5,487,402</u>	<u>100%</u>	<u>5,644,610</u>	<u>100%</u>	<u>5,484,575</u>
Average Daily Breakfast Served	11,344		10,592		10,101
Average Daily Lunch Served	19,867		20,369		20,295
Student Participation	47.98%		46.94%		46.96%
Transportation					
Number of buses	239		252		258
Total miles traveled	2,914,877		3,317,636		3,265,683
Cost per mile	\$ 5.77		\$ 5.50		\$ 5.63
Area encompassed by District (sq mi)	160		160		160
					257
				3,019,548	263
					3,392,622
				\$ 6.24	\$ 5.28
				160	160

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

² Student Participation percentage is calculated based on the average daily lunches served at elementary schools, middle schools, and high schools, over the average daily attendance (enrollment adjusted per industry factors) at the schools where nutrition services meals are served.

Sources: District Nutrition Services and Transportation departments

	2014		2015		2016		2017		2018	
25%	1,313,005	29%	1,071,048	23%	1,114,504	24%	1,372,455	30%	1,466,345	32%
8%	375,796	8%	194,558	4%	209,753	6%	180,707	4%	261,833	6%
67%	3,560,251	77%	4,315,732	94%	4,141,824	90%	3,225,700	70%	2,877,750	62%
100%	5,249,052	114%	5,581,338	121%	5,466,081	119%	4,778,862	104%	4,605,928	100%
	10,380		10,846		10,724		9,831		8,985	
	18,668		19,710		19,083		18,173		17,793	
	45.80%		44.00%		44.40%		42.00%		38.67%	
	254		269		245		260		270	
	3,156,795		3,127,505		3,273,739		4,174,150		3,506,305	
\$	5.89		\$ 5.97		\$ 5.91		\$ 4.88		\$ 6.69	
	160		160		160		160		160	

Schedule 17
SCHOOL DISTRICT NO.1J, MULTNOMAH COUNTY, OREGON
School Building and Student Enrollment Information
Last Ten Fiscal Years (continued)

Enrollment and Square Footage

Summary by Category	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Square Footage
Regular Programs	-09	-10	-11	-12	-13	-14	-15	-16	-17	-18	
Elementary Schools	24,787	25,330	25,874	26,445	26,577	27,051	27,015	27,159	26,620	26,627	3,901,546
Middle Schools	5,589	5,510	5,142	5,160	5,365	5,559	5,680	5,911	6,457	6,449	1,022,896
High Schools	11,033	11,034	10,978	10,810	10,551	10,585	10,807	11,183	11,348	11,768	2,953,331
PPS Alternative Programs	1,587	1,642	1,663	1,689	1,739	1,699	1,716	1,817	1,756	1,659	302,529
Plus enrollment not normally within PPS facilities:											
Community Based Programs	1,282	1,206	1,275	1,150	1,207	1,055	1,034	964	968	1,035	-
Special Services	522	500	385	502	457	485	443	451	455	455	89,443
Public Charter Programs	1,246	1,374	1,486	1,532	1,627	1,664	1,764	1,590	1,585	1,564	16,755
Other or vacant facilities											1,240,599
	46,046	46,596	46,803	47,288	47,523	48,098	48,459	49,075	49,189	49,557	9,527,099

Age of Buildings

	<u>Oldest</u>	<u>Median</u>	<u>Newest</u>
Elementary Schools	110	75	1
Middle Schools	105	90	54
High Schools	109	92	59
Focus/Alternative Schools	104	85	65
Inactive or Other Facilities	105	60	40

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

Notes:

- 1 Day and Residential Treatment Programs (long-term care and treatment).
- 2 Effective 2007-08, Clarendon ES and Portsmouth MS merged to form a K-8 school.
- 3 enrolled at Franklin HS. Tubman MS was also closed and a new Young Women's Academy was opened on the Tubman campus as part of Jefferson High School.
- 4 Effective 2008-09, Birnsmead closed and the Clark School students and staff moved from the Clark site to the Birnsmead site. The school was renamed Harrison Park. The Creative Science School Program (CSSP) expanded and moved from Bridger Elementary to the Clark site.
- 5 Effective 2009-10 Laurelhurst, Rigler, Scott became K-8 schools.
- 6 Effective 2008-09 Arleta, Astor, Boise-Eliot, Bridger, Clark, Creston, Faubion, Humboldt, Irvington, Lee, Lent, Marysville, Peninsula, Sabin, Skyline, Vestal, Woodlawn became K-8 schools.
- 7 Effective 2009-10 Scott and Rigler became K-8 schools.
- 8 Effective 2008-09 Scott and Rigler remained K-7 schools.
- 9 Effective 2010-11, Clarendon-Portsmouth was renamed César Chávez.
- 10 Effective 2011-12, Marshall closed. Students in the Harrison Park K-8 School area attend Madison High School. Students in the Kelly and Woodmere Elementary School areas, and the Bridger, Lent and Marysville K-8 areas, attend Franklin High School. Students in the Whitman Elementary School area attend Cleveland High School.
- 11 Effective 2011-12, students in the Jefferson cluster have the choice to attend either the new Jefferson Middle College program or a neighborhood comprehensive high school program at Roosevelt, Madison or Grant, depending on where they live within the Jefferson cluster boundaries.
- 12 Effective 2011-12 school year, Rigler neighborhood 7th and 8th graders attended Vernon.
- 13 Effective 2012-13, Humboldt closed. Students from Humboldt neighborhood now attend Boise-Eliot
- 14 Effective 2013-14, ACCESS, a district-wide alternative education program is located at the Rose City Park site.
- 15 Effective 2013-14, Chief Joseph and Ockley Green merged to form Chief Joseph/Ockley Green K-8.
- 16 Effective 2015-16 LEP Charter Closed.
- 17 Effective 2016-17, "New Avenues for Youth" and "Outside In" are no longer contracted with PPS
- 18 Effective 2016-17, Ockley Green re-opens as a middle school, 5th grade from Chief Joseph remains in the Ockley Green building for 2016-17.
- 19 Effective 2016-17 Beach, Peninsula & Woodlawn go from K-8 to K-5
- 20 Effective 2016-17, Self Enhancement Academy does not serve 6th grade.
- 21 Effective 2016-17, The Odyssey program that was located at Hayhurst relocated to the East Sylvan Building
- 22 The Pioneer program consists of elementary, middle and high school programs. It was formerly known as ES B Program at Youngson, MS B Program at Foster and HS B Program at Columbia.
- 23 Effective 2016-17, Faubion razed and under construction. For 2016-17 occupies the Tubman building. Will re-open Faubion building during 2017-18 school year.
- 24 Effective 2016-17, Franklin occupied Marshall campus while under construction.
- 25 Effective 2014-15, Humboldt partially occupied by KairosPDX Charter School
- 26 Effective 2014-15, Beverly Cleary 1st and 3rd grades attended ACCESS at Rose City Park.
- 27 Effective 2017-18, HeadStart locations included Applegate, Clarendon, Sacajawea and Creston annex

Audit



Audit

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



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
OREGON STATE REGULATIONS**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 1J, Multnomah County, Oregon (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:



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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH OREGON STATE REGULATIONS (Continued)**

Page 2

COMPLIANCE (Continued)

- The Grant Fund expended \$140,000 in excess of the approved budget in the Enterprise and Community Services budget category.
- The District exceeded deposit limitations of the LGIP for more than ten days during May 2018.
- In our test sample of 60 teachers, the District misreported years of experience for nine teachers.
- In our test sample of 40 students with more than ten absences, there were two students with ten or more consecutive absences who were not withdrawn from ADM as required by State rules.

OAR 162-10-0230 INTERNAL CONTROL

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

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

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

PURPOSE OF THIS REPORT

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

Talbot, Karola & Warwick LLP

Lake Oswego, Oregon
December 17, 2018