

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Comprehensive Annual Financial Report
For the Year Ended June 30, 2002

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PORTLAND PUBLIC SCHOOLS

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Jim Scherzinger
Superintendent

OFFICE OF THE SUPERINTENDENT

December 11, 2002

To Members of the Board of Education:

In accordance with the provisions of Oregon Revised Statutes 297.405 through 297.555, referred to as the Municipal Audit Law, submitted herewith is the comprehensive annual financial report of School District No. 1, Multnomah County, Oregon (Portland Public Schools or the District), for the fiscal year ended June 30, 2002.

These statutes require that Portland Public Schools issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for the completeness and fairness of the data presented and all accompanying disclosures rests with the District management.

To provide a reasonable basis for making these representations, District management has established and maintains an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principals (GAAP). The 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 the internal controls adequately safeguard the assets and provide reasonable assurance of proper recording of all financial transactions. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Financial Statement Presentation

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

The **Introductory Section** includes the table of contents, this transmittal letter, the District's organizational chart, and copies of Certificates awarded for the Portland Public Schools' 2001 CAFR.

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

The **Statistical Section** includes selected financial and demographic information, generally presented on a multi-year basis. Efforts were made to update each schedule with the most accurate information, resulting in minor revisions for prior years amounts.

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

The provisions of Oregon Revised Statutes 297.425 through 297.555, inclusive, require that an independent audit of the financial records and affairs of all District fund types and account groups be completed within six months following the close of the fiscal year. The auditors selected by the Board of Education, Pauly, Rogers and Co., P.C., have completed their audit of the basic financial statements for the fiscal year ended June 30, 2002, and their unqualified Independent Auditors' Report is presented as the first component of the financial section of this report. The independent auditor's report indicates that the basic financial statements present fairly, in all material respects, the District's financial position, results of operations and cash flows in conformity with GAAP.

The Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 require state and local governments that expend \$300,000 or more in federal assistance in a year have a special form of audit conducted for that year. For the fourteenth consecutive fiscal year, Portland Public Schools has issued a separate report on the requirements of the Single Audit Act and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*, on which Pauly, Rogers and Co., P.C. have also provided various required reports. Contained in the separately issued Single Audit Report are schedules of expenditures of federal awards, required reports on internal controls and compliance with laws and regulations.

GAAP require 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 MD&A and should be read in conjunction with it. The Portland Public Schools' MD&A can be found immediately following the report of the independent auditors.

Profile of the District

On November 7, 2001, Portland Public Schools marked its Sesquicentennial Anniversary, 150 years since the election of the initial school board. The 1851 election took place at a time when public education was a comparatively new and undeveloped movement in the United States and the board's election met with a good deal of opposition. However, within three decades Portland would boast several public schools and one of the first public high schools in the United States

Now, Portland Public Schools is the largest school district in the State of Oregon. Located in northwestern Oregon at the confluence of the Columbia and Willamette rivers, the District's boundaries are generally the same as the City of Portland. The District includes approximately 146 square miles and has a population in excess of 400,000 constituting portions of the cities of Portland (pop. 529,121), Lake Oswego (pop. 33,150), and Milwaukie (pop. 19,950). The District operates 63 elementary schools, 17 middle schools, 10 high schools and 25 alternative, special, administrative, support and holding facilities. Student enrollment is presently 54,150.

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

Under Oregon State law, school districts are municipal corporations empowered to provide elementary and secondary educational services for the children residing within its boundaries. The District discharges this responsibility by building, operating, and maintaining school facilities, developing and maintaining approved educational programs and courses of study, including vocational programs and programs for special needs students, and providing for transportation and feeding of students in accordance with District, State, and Federal programs. This report includes all funds and account groups of the District. The District has no component units, nor is the District included in any other financial reporting entity.

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

Service Efforts and Accomplishments

- 1) The District continues to focus on aligning its budget and its efforts with its comprehensive strategic plan. The District's Mission: ***The mission of Portland Public Schools is to support all students in achieving their very highest educational and personal potential, to inspire in them an enduring love for learning, and to prepare them to contribute as citizens of a diverse, multicultural, and international community.*** A critical component of achieving this mission is to raise the educational achievements of all District students. Student achievement in Portland Public Schools, as measured by the Oregon Statewide Assessment tests, shows steadily increasing scores and percent of students meeting state performance standards. Over all the grades tested (3, 5, 8 and 10) and across both reading and math, about a third of the district's students exceed the standards. Less than half that number (a bit under 16%) qualify as low or very low achievers based on their test scores. While the gap between European American test scores and those of students in other racial/ethnic groups still exists, it is declining somewhat compared to 2000. Compared to the state as a whole, Portland students grew more in their average test scores than their peers statewide. Similarly, PPS students outperform the state on eight measures (e.g., grade 5 math), match the state on two, and underperform the state on four measures. The results are summarized below:

Exceeds state percentage meeting standards in:

- Reading: Grade 8
- Math: Grades 5 and 8
- Writing: Grades 5 and 8
- Math Problem Solving: Grades 5, 8 and 10

Matches state percentage meeting standards in:

- Math: Grades 3 and 10

Underperforms state percentages in:

- Reading: Grades 3 (by 1%), 5 (by 2%) and 10 (by 1%)
- Writing: Grade 10 (by 3%)

- 2) The Board of Education accepted the resignation of Dr. Benjamin Canada, and named James R. Scherzinger as Interim Superintendent effective July 1, 2001. Mr. Scherzinger had been the Chief Financial Officer for the District since October 1998. Before joining the District, he had worked for the state legislature for 20 years, the last 14 as head of the Legislative Revenue Office. Due to the District's budget difficulties, and to pressure from their home districts to stay, six candidates for superintendent interviewed by the Board declined to accept the position. In June 2002 the Board suspended its search and named Mr. Scherzinger the Superintendent effective July 1, 2002.
- 3) Portland Public Schools entered into a joint venture with the Multnomah Education Service District ("MESD") to install a common student information system. The collaborative is designed to ensure effective intergovernmental cooperation among the seven other districts within MESD and Portland Public Schools. The intention is to

facilitate tracking of student records by having as many districts as possible on the same database tracking system. This system will also facilitate transferring records when a student moves from one district to another. This project is proving to be a viable demonstration project to open the path for a statewide system adoption. The District is able to leverage its capital position to assist MESD, while solving its long term operational cost issues in a timely manner. Pilot schools experienced successful implementation during the 2001-2002 school year. Portland Public Schools will go live with the new student information system called eSIS in the spring of 2003.

Factors Affecting Financial Condition

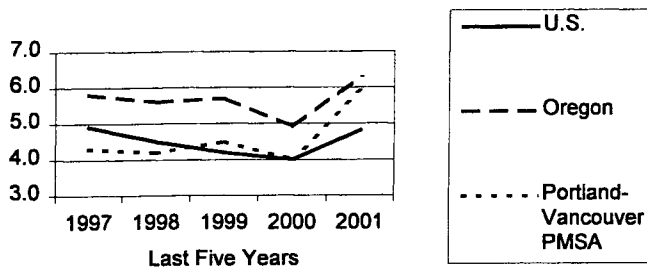
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local economy. Portland, known as the "City of Roses," and the surrounding metropolitan area has a widely diversified economy. Its centralized coastal 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. Manufacturing accounts for a large sector (14%) of the economy. Neither heavy nor light manufacturing dominates the industry. Durable goods such as electronics, metals, machinery, and lumber and wood products account for 73% of manufacturing employment.

Employment by Major Industry

Services	29%
Wholesale & Retail Trade	25%
Manufacturing	14%
Government	14%
Finance, Insurance & Real Estate	7%
Transportation, Communication, Utilities	6%
Construction & Mining	5%

Average Unemployment Rates



Portland's job growth in 2000-2001 slowed down considerably when compared to the fast-paced 1990's. The area's projected growth rate for the coming decade is 13.3%, still greater than statewide projections of 12.5%.

For the past five years, the unemployment rates in the Portland-Vancouver PMSA have been lower than those in the rest of the State. In

2001, Portland's average annual unemployment rate was 5.9%, compared to 6.3% for the State and 4.8% for the nation. The City of Portland had a strong growth in population of 19% between 1980 and 1990, and another 21% from 1990 to 2000.

Long term financial planning. The \$196 million capital bonds approved by the voters in 1995 are expected to be fully spent in the summer of 2004. The District has convened a bond planning task force, which is meeting monthly to set priorities and determine the size for the next capital bond offering. The District plans to include a bond levy on the ballot in 2004. The May 2004 election would require a double majority to pass. The November 2004 general election requires a simple majority to pass. Continued declines in State funding exert downward pressure on the District's budget, such that there are virtually no general fund dollars budgeted for capital needs. Therefore, the need for another bond levy is very important.

Awards and Acknowledgements


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to School District No.1, Multnomah County, Oregon, for its comprehensive annual financial report for the fiscal year ended June 30, 2001. 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 School District No.1, Multnomah County, Oregon, for its comprehensive annual financial report for the fiscal year ended June 30, 2001. 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 2002 CAFR, which will be submitted to ASBO for review, will also conform to these standards.

We wish to express our appreciation to Assistant Controller, Joanne Ossanna, CPA, staff of the Finance Department, and members of other District departments who assisted in the preparation of this comprehensive annual financial report. We also express appreciation to Parry Ankersen and the Pauly, Rogers staff for their extra efforts during the audit. We further extend our appreciation to the members of the Board of Education, employees of the District, and the citizens of Portland whose continued cooperation, support, and assistance have contributed greatly to the achievements of the Portland Public Schools.

Respectfully submitted,


James R. Scherzinger, Superintendent


Heidi B. Franklin, CPA, Interim Chief Financial Officer/Controller

School District No. 1, Multnomah County, Oregon
Principal Officials
At June 30, 2002

BOARD OF EDUCATION

Member	Term Expires	Address
Marc Abrams	June 30, 2003	1753 NW Aspen Ave., Portland, OR 97210
Debbie Goldberg-Menashe	June 30, 2003	6845 SE 28 th Ave., Portland, OR 97202
Sue Hagmeier	June 30, 2003	3315 SE Harrison St., Portland, OR 97214
Karla Wenzel	June 30, 2003	3131 SW Fairmount Blvd., Portland, OR 97201
Julie Brim-Edwards	June 30, 2005	6666 SE Yamhill St., Portland, OR 97205
Derry Jackson	June 30, 2005	9540 N Edison St., Portland, OR 97203
Lorenzo Poe	June 30, 2005	5703 NE Church St., Portland, OR 97218

ADMINISTRATIVE STAFF

James R. Scherzinger..... Interim Superintendent*
Heidi B. Franklin, CPA Interim Chief Financial Officer/Controller
Jollee Patterson General Counsel

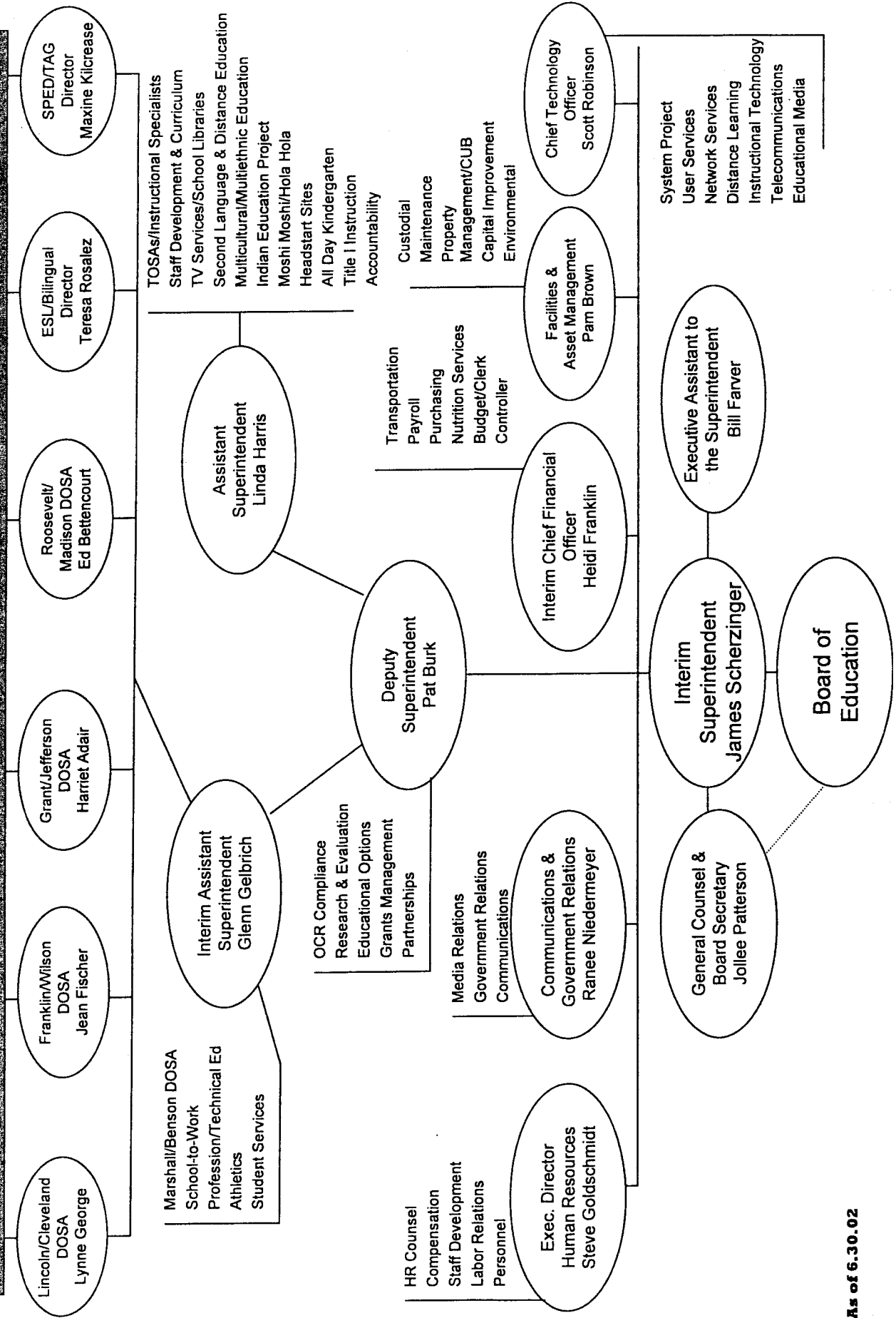
*The Board named Mr. Scherzinger Superintendent effective July 1, 2002

Community

STUDENTS

Parents

TEACHERS, PRINCIPALS, & CLASSIFIED EMPLOYEES



Certificate of Achievement for Excellence in Financial Reporting

Presented to

School District No. 1,
Multnomah County, Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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



Thomas A. Brewer
President

Jeffrey L. Esser
Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to
SCHOOL DISTRICT NO. 1, MULTNOMAH CO., OREGON
For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2001

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

Clark J. Schell
President

David A. Roth
Interim Executive Director

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

As management of the School District No.1, Multnomah County, Oregon (Portland Public Schools or the District), we offer readers this narrative overview and analysis of the financial activities of the Portland Public Schools for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

This is the first year that the District has presented its financial statements in conformity to GASB Statement No. 34, a sweeping change to financial reporting requirements for governments. Efforts have been made to provide comparison to prior year data when such data is available. In subsequent years, comparison to prior year data will be provided for all key financial information.

Financial Highlights

- The net assets of Portland Public Schools in the government-wide financial statements were \$113,363,575. Of this amount, \$87,514,912 was invested in capital assets, net of related debt and the remainder, \$25,848,663, is technically considered to be unreserved but the District has \$46,613,244 committed to debt-financed programs.
- At June 30, 2002 the District's governmental funds reported combined ending fund balances of \$50,126,514. Most of this fund balance was committed to debt-financed programs and was not available to meet the general obligations of the District.
- At June 30, 2002, the General Fund had an unreserved fund deficit of (\$2,819,020), caused by revenue declines attributable to state school funding changes caused by enrollment, local option tax collections below budgeted amounts, and investment earnings at about half the budgeted amount due to interest rates at an all-time low.
- Of the four debt service funds, the two that have property taxes as their primary revenue source contributed to combined ending deficits of (\$893,172). Tax levies for 2002-2003 have been increased sufficiently to eliminate the deficits.

Overview of the Financial Statements

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

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

- The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Portland Public Schools is improving or deteriorating.
- The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). As is typical for a school district, Portland Public Schools has governmental activities, which include instruction, supporting services, facilities, food services, community service, and debt service. Portland Public Schools currently does not have any business-type activities.

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Portland Public Schools maintains five different individual major governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Grant Fund, and three capital projects funds, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 14-18 of this report.

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

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

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

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

Notes To The Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-35 of this report.

The **Combining Statements** referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 37-42 of this report.

Government-Wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of Portland Public Schools, assets exceeded liabilities by \$113,363,575 at the close of the most recent fiscal year.

Condensed Statement of Net Assets

	Total School District Governmental Activities 2002
Assets	
Current and other assets	\$ 138,570,096
Net capital assets	<u>223,642,208</u>
Total assets	<u>362,212,304</u>
Liabilities	
Long-term debt outstanding	169,925,241
Other liabilities	<u>78,923,488</u>
Total liabilities	<u>248,848,729</u>
Net Assets	
Invested in capital assets, net of related debt	87,514,912
Unrestricted	<u>25,848,663</u>
Total net assets	<u>\$113,363,575</u>

By far the largest portion of the District's net assets (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for classrooms and supporting services for providing K-12 education; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, Portland Public Schools is able to report positive balances in both categories of net assets for governmental activities. The District's net assets increased by \$22,553,404 during the current fiscal year. By far the largest portion of this increase represents the degree to which the capitalization of assets coupled with the liquidating of related debt exceeds depreciation expense. The remainder of this growth largely reflects increases in operating grants and contributions.

The revenues and expenses shown below explain changes in net assets for the fiscal year 2002.

Changes in Net Assets

	Total School District Governmental Activities	Percentage of Total
	<u>2002</u>	
Revenues		
Program Revenues		
Charges for services	\$ 12,858,442	2.60%
Operating Grants & Contributions	83,955,434	16.96%
Total Program Revenues	<u>96,813,876</u>	<u>19.56%</u>
General Revenues		
Property taxes	182,765,788	36.93%
State school fund	193,284,103	39.05%
Common school fund	1,527,383	0.31%
County and intermediate sources	10,863,837	2.19%
Investment earnings	5,310,974	1.07%
Other	2,278,644	0.46%
Gain on disposal of fixed asset	2,098,078	0.42%
Total General Revenues	<u>398,128,807</u>	<u>80.44%</u>
Total Revenues	<u>494,942,683</u>	<u>100.00%</u>
Expenses		
Instruction	278,299,538	58.91%
Supporting Services	159,969,208	33.86%
Facilities	7,031,606	1.49%
Food services	13,261,350	2.81%
Community services	1,617,719	0.34%
Interest on long-term debt	12,209,858	2.58%
Total Expenses	<u>472,389,279</u>	<u>100.00%</u>
Increase in net assets	22,553,404	
Net assets - beginning	90,810,171	
Net assets - ending	<u><u>\$ 113,363,575</u></u>	

Revenues. Since the District's mission is to provide a free and appropriate public education for K-12 students within its boundaries, the District may not charge for its core services. As expected, therefore, general revenues provide 80.4% of the funding required for governmental programs. Property taxes and State school fund combined account for 94.8% of general revenues and 76.3% of total revenues. The gain on disposal of fixed assets of \$2,098,078 is primarily the result of two sales of surplus properties: undeveloped land known as the Stohecker property was sold to its neighbors and the Normandale building was sold to the Head Start program. The District retains ownership of the land for Normandale.

Charges for services are only 2.6% of total revenues and are composed of the following items for which it is appropriate that the District charge tuition or fees:

- Food services charge not only for lunch and breakfast, but also for catering and contract services. \$ 4,693,192
- Tuition is charged for all-day kindergarten, evening high school, out-of-district students, summer school, and driver's education. 2,200,577

- An exclusive beverage vending contract with the Coca-Cola Company, Inc. was entered into for the first time; netting both an up-front lump sum payment and annual commissions for the next 8 years. 2,009,963
 - Facilities leverages District buildings by leasing and renting classrooms, cafeterias, gymnasiums, swimming pools, auditoriums, and entire vacant buildings. 1,838,563
 - The District is under contract with the State to provide certain services for special needs children for four other Districts in the region, who or are charged accordingly. 1,082,939
 - Athletics charges pay-to-play fees and sells tickets to events and games. 671,345
 - Other sales, royalties, and events generate revenue. 361,863
- \$ 12,858,442**
- Total Charges for Services:

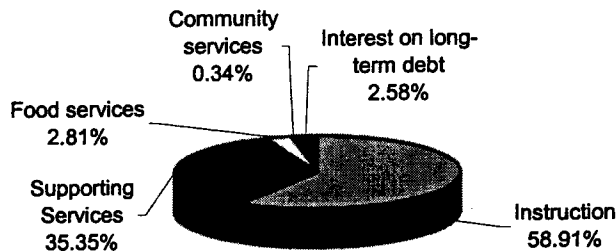
Operating grants and contributions represent 16.9% of total revenues. Included in this category are \$7.8 million for federal reimbursement under the school lunch program and \$7.0 million raised or donated by student body activities. Federal and state grants for designated programs totaled \$66.5 million.

Expenses. Expenses related to governmental activities are presented in five broad functional categories. Costs of direct classroom instruction activities account for 58.9% of the total expenses of \$472,389,229. In addition, approximately half of the costs in supporting services relate to students, instructional staff and school administration.

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u> <u>2002</u>	<u>Net Cost of Services</u> <u>2002</u>
Instruction	\$ 278,299,538	\$ 214,518,928
Supporting Services	167,000,814	148,750,895
Food services	13,261,350	73,623
Community services	1,617,719	22,099
Interest on long-term debt	12,209,858	12,209,858
Total	<u>\$ 472,389,279</u>	<u>\$ 375,575,403</u>

Expenses by Service Type Fiscal Year 2002



Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$50,126,514. This entire amount constitutes *unreserved fund balance*, which is available for spending at the District's discretion.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund deficit of the General Fund was (\$2,819,020). This negative ending fund balance resulted when revenues fell below budget by \$3.6 million, while expenditures were below budget by \$968,399. The revenue decline was primarily due to three factors: (1) state school funding was reduced due to enrollment fluctuations around the state; (2) local option taxes were lower than projected; and, (3) investment earnings were half the budgeted amount, as interest rates fell to an all-time low. It is required under Oregon Budget Law that when such an unforeseen budget shortfall occurs, it be corrected in the subsequent fiscal year. The Board of Education indicated its intention to remedy the situation by passing a policy resolution that establishes a minimum 3% ending fund balance for the General Fund, to be built at 1% per year beginning in 2002-2003.

There are four debt service funds with combined ending fund deficits of (\$893,172). The negative ending fund balances are attributable to the two debt service funds for which property taxes are the primary revenue source. An erroneous estimate of beginning fund balances in these funds resulted in insufficient taxes being levied in 2001-2002. The taxes levied in 2002-2003 have been increased sufficiently to eliminate the deficits. Positive balances in debt service funds are reserved for the payment of debt service.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were composed of reallocations among line items with no changes in total budgeted appropriations. The changes net to a \$1.9 million increase in operating contingency and can be briefly summarized as follows:

- (\$2.2) million decrease in instruction
- \$1.5 million increase in student supporting services
- (\$0.7) million decrease in instructional staff
- \$0.3 million increase in school administration
- (\$0.9) million decrease in administrative supporting services and debt service
- \$0.1 million increase in transfers net

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2002, amounts to \$223,642,208 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and furniture, and construction in progress. The total increase in the District's investment in capital assets for the current fiscal year was 6.1%.

Capital Assets (net of depreciation)

	Total School District Governmental Activities		Total
	2001	2002	Percentage Change
	<u>2001-2002</u>		
Land	\$ 9,095,503	\$ 9,049,378	-0.51%
Buildings and site improvements	188,623,189	184,355,422	-2.26%
Equipment & Furniture	10,591,038	16,304,996	53.95%
Construction in Progress	2,568,898	13,932,412	442.35%
Total	\$ 210,878,628	\$ 223,642,208	6.05%

Major capital asset events during the current fiscal year included the following:

- Building improvements continue in the areas of seismic upgrades, fire, life and safety, ADA compliance, and priority building repairs. Completed projects added \$3.5 million to buildings and site improvements. Construction in progress as of the close of fiscal year had reached \$13.9 million.
- Projects to upgrade network infrastructure and to implement enterprise-wide software solutions with related hardware in finance, payroll, human resources, and student information systems, were completed at a cost of \$7.4 million.

Additional information on the District's capital assets can be found in note 7 on page 30 of this report.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$169,925,241. Of this amount, \$92,175,000 comprises general obligation debt and \$32,670,000 represents limited tax obligation debt for which property owners are subject to a special assessment, and \$45,080,241 comprises debt backed by the full faith and credit of the District. The District's total debt decreased by \$39,196,356 during the current fiscal year.

Outstanding Long-Term Debt

	Total School District		Total
	2001	2002	Percentage Change
	<u>2001-2002</u>		
General obligation bonds	\$ 158,580,000	\$ 124,845,000	-21.3%
Other long-term debt	50,541,597	45,080,241	-10.8%
Total	\$ 209,121,597	\$ 169,925,241	-18.7%

Standard & Poor's gave the District's debt a single A rating on its outstanding limited tax general obligation refunding debt (the gap bond) in 1999, and an A+ rating on the unlimited tax general obligation debt outstanding at June 30, 1999. Moody's Investors Service confirmed the rating on the District's outstanding gap bond is A1 and on the unlimited tax general obligation bonds is Aa3 in 1999. The ratings are primarily based on the District's large and diverse tax base, which continues to grow. These ratings remain unchanged at June 30, 2002.

State statutes limit the amount of general obligation debt a school district may issue based on a formula for determining the percentage of the Real Market Value of all taxable properties within the District. The District's general obligation bond debt capacity is 7.95% of Real Market Value or \$3,491,609,683, which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in note 10 on page 31 of this report.

Economic Factors and Next Year's Budgets

- In recent years, unemployment rates in the Portland-Vancouver area have been lower than those in the rest of the State and in the nation. Currently unemployment rates in Oregon, at over 7%, are among the highest in the nation.
- Due to the projected tax receipts deficiency, the Oregon Legislature has attempted to balance the State's budget by a combination of a proposed temporary increase in income taxes and expenditure reductions. The Oregon voters will vote upon the income tax increase on January 28, 2003. The Districts General Fund budget includes approximately \$9.5 million that is dependent on the passage of this measure. Additionally, the Legislature cut significant funding to school districts, including approximately \$21 million to Portland Public Schools. At the same time, the legislature attempted to provide the districts some accounting options included in SB 1022. The bill allows the district to record revenues and a receivable for up to \$18 million in the 2002-03 fiscal year, and then receive a payment that is equivalent to that amount in July 2003. However, the payment will be out of the 2003-04 fiscal year state allocation that might not be increased to accommodate the 2002-03 shortfall. Recording the receivable and revenue would not be acceptable under generally accepted accounting principles since the state has no obligation to restore the shortfall. If the District is unable to receive the anticipated revenue for the 2002-03 fiscal year, it may have to modify operations for that year or in the future. The legislature is anticipated to continue to address school funding issues in its regularly scheduled session which begins in January 2003.
- Portland Public Schools is considering closing schools and administrative offices for at least 15 days in the 2002-03 school year. If Ballot Measure 28 to increase income taxes, referred to the voters in the January 2003 election, fails, as is predicted, then an additional 9 days may be cut from the school year as well.
- In an effort to reduce costs, the District is taking some drastic measures. The entire custodial staff of 318 people was laid off and a contract for cleaning services was entered into with Portland Habilitation Center. The District is instituting a cap of \$600 per month on its contribution to the health and welfare premiums for employees and retirees who are non-represented or who are members of SEIU Local 140 (nutrition services workers). The District is also targeting additional cuts of \$2.4 million to balance the 2002-03 budget without adding even more days to the furlough.
- Substantially all of the Districts teachers and substitute teachers are represented by the Portland Association of Teachers (PAT) and have been working without a contract, but under the terms of the previous contract, since June 30, 2002. Negotiations are ongoing, however in December 2002 the District requested the assignment of a mediator to assist with the negotiations. Both parties are hopeful that negotiations will be successful. The outcome of these negotiation will be substantially impact District operations.

Requests for Information

This financial report is designed to provide a general overview of the Portland Public Schools' finances for all those with an interest in the school district's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Office of the Controller, Portland Public Schools, 501 N Dixon, Portland, OR, 97227.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Statement of Net Assets
June 30, 2002

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 36,883,078
Cash in segregated accounts	2,747,159
Cash and cash equivalents held by fiscal agents	1,078,326
Investments	64,421,203
Accounts and other receivables	18,958,372
Property taxes and other taxes receivable	12,204,634
Inventories	2,277,324
Capital Assets, net of accumulated depreciation:	
Land	9,049,378
Buildings and capital improvements	198,287,833
Vehicles and equipment	16,304,997
Total assets	<u>362,212,304</u>
LIABILITIES	
Accounts payable	9,401,825
Accrued wages and benefits	60,978,315
Claims payable	5,046,000
Accrued bond interest payable	689,122
Arbitrage rebate	928,947
Deferred revenues	1,879,279
Noncurrent Liabilities:	
Bonds payable - Due within one year	42,980,661
Bonds payable - Due in more than one year	126,944,580
Total liabilities	<u>248,848,729</u>
NET ASSETS	
Invested in capital assets, net of related debt	87,514,912
Unrestricted	25,848,663
Total net assets	<u><u>\$ 113,363,575</u></u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Statement of Activities
For the year ended June 30, 2002

Functions/Programs	Expenses	PROGRAM REVENUES		Net (Expense) Revenue and Changes in Net Assets
		Charges for services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 278,299,538	\$ 8,165,250	\$ 55,615,360	\$ (214,518,928)
Supporting services	167,000,814	-	18,249,919	(148,750,895)
Food services	13,261,350	4,693,192	8,494,535	(73,623)
Community services	1,617,719	-	1,595,620	(22,099)
Interest on long-term debt	12,209,858	-	-	(12,209,858)
Total governmental activities	\$ 472,389,279	\$ 12,858,442	\$ 83,955,434	(375,575,403)
GENERAL REVENUES:				
Property taxes, levies for operations				128,574,250
Property taxes, levies for debt service				39,312,267
Local option taxes				14,879,271
State school funding				193,284,103
State Common School Fund funding				1,527,383
County and intermediate sources				10,863,837
Investment earnings				5,310,974
Other				2,278,644
Gain on disposal of fixed assets				2,098,078
Total general revenues				398,128,807
Change in net assets				22,553,404
Net assets - beginning of year				90,810,171
Net assets - end of year				\$ 113,363,575

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Governmental Funds
Balance Sheet
June 30, 2002

	General Fund	Grant Fund
ASSETS		
Cash and cash equivalents	\$ 26,247,902	\$ 3,688,580
Cash in segregated accounts	-	-
Cash and cash equivalents held by fiscal agents	841,111	-
Investments	8,513,203	-
Accounts and other receivables	5,185,031	12,313,141
Property taxes and other taxes receivable	9,699,474	-
Due from other funds	7,283,190	-
Inventories	1,770,151	-
Total assets	\$ 59,540,062	\$ 16,001,721
LIABILITIES		
Accounts payable	\$ 3,965,712	\$ 1,557,924
Accrued wages and benefits	49,974,434	7,130,498
Due to other funds	400,000	5,434,020
Arbitrage rebate	-	-
Deferred revenues	8,018,936	1,879,279
Total liabilities	62,359,082	16,001,721
FUND BALANCES		
Unreserved, reported in:		
General Fund	(2,819,020)	-
Special revenue funds	-	-
Capital projects funds	-	-
Debt service funds	-	-
Total fund balances (deficit)	(2,819,020)	-
Total liabilities and fund balances	\$ 59,540,062	\$ 16,001,721

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

System Project Fund	Facilities Improvement/ Technology Fund	Facilities Improvement II Fund	Other Governmental Funds	Total Governmental Funds
\$ 715,916	\$ 730,978	\$ 156,762	\$ 4,848,230	\$ 36,388,368
-	-	-	2,747,159	2,747,159
-	-	-	237,215	1,078,326
5,878,000	37,795,000	5,526,000	-	57,712,203
6,887	18,683	1,514	1,431,278	18,956,534
-	-	-	2,505,160	12,204,634
-	-	-	400,000	7,683,190
-	-	-	507,173	2,277,324
<u>\$ 6,600,803</u>	<u>\$ 38,544,661</u>	<u>\$ 5,684,276</u>	<u>\$ 12,676,215</u>	<u>\$ 139,047,738</u>
\$ 142,564	\$ 3,013,761	\$ 15,749	\$ 548,680	\$ 9,244,390
85,900	29,575	-	1,674,048	58,894,455
-	-	-	1,849,170	7,683,190
765,921	163,026	-	-	928,947
-	-	-	2,272,027	12,170,242
<u>994,385</u>	<u>3,206,362</u>	<u>15,749</u>	<u>6,343,925</u>	<u>88,921,224</u>
-	-	-	-	(2,819,020)
-	-	-	7,225,462	7,225,462
5,606,418	35,338,299	5,668,527	-	46,613,244
-	-	-	(893,172)	(893,172)
<u>5,606,418</u>	<u>35,338,299</u>	<u>5,668,527</u>	<u>6,332,290</u>	<u>50,126,514</u>
<u>\$ 6,600,803</u>	<u>\$ 38,544,661</u>	<u>\$ 5,684,276</u>	<u>\$ 12,676,215</u>	

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	223,642,208
Long-term taxes receivable are not available to pay for current-period expenditures and therefore, are deferred in the funds.	10,290,963
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,947,635
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(169,925,241)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(2,029,382)
Bond interest is not accrued as a liability in the government funds.	(689,122)

Net assets of governmental activities

\$ 113,363,575

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2002

	General Fund	Grant Fund
REVENUES		
Property and other taxes	\$ 127,117,552	\$ -
State School Fund funding	193,284,103	-
Local option taxes	14,879,271	-
County and Intermediate sources	10,863,837	-
State Common School Fund funding	1,527,383	-
Sales	-	-
Federal and state support	-	65,822,334
Investment earnings	2,612,887	-
Extracurricular activities	-	-
Other	7,016,098	-
Total revenues	357,301,131	65,822,334
EXPENDITURES		
Current Operating:		
Instruction	219,246,423	45,344,892
Supporting services	137,057,199	15,840,080
Food services	-	631,903
Community services	-	1,595,620
Debt Service	2,776,058	-
Total expenditures	359,079,680	63,412,495
Excess (deficiency) of revenues over (under) expenditures	(1,778,549)	2,409,839
OTHER FINANCING SOURCES (USES)		
Operating transfers in	2,628,365	-
Operating transfers out	(6,973,589)	(2,409,839)
Proceeds from the sale of property	2,305,725	-
Total other financing sources (uses)	(2,039,499)	(2,409,839)
Net change in fund balances	(3,818,048)	-
Fund balances - beginning of year	999,028	-
Fund balances (deficit) - end of year	\$ (2,819,020)	\$ -

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

System Project Fund	Facilities Improvement/ Technology Fund	Facilities Improvement II Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 39,312,267	\$ 166,429,819
-	-	-	-	193,284,103
-	-	-	-	14,879,271
-	-	-	-	10,863,837
-	-	-	-	1,527,383
-	-	-	4,693,192	4,693,192
-	-	-	8,484,520	74,306,854
282,513	1,776,645	168,090	285,955	5,126,090
-	-	-	7,006,887	7,006,887
-	-	-	5,892,787	12,908,885
<u>282,513</u>	<u>1,776,645</u>	<u>168,090</u>	<u>65,675,608</u>	<u>491,026,321</u>
-	-	-	10,121,846	274,713,161
4,691,904	18,904,063	851,418	4,220,013	181,564,677
-	-	-	12,615,420	13,247,323
-	-	-	22,099	1,617,719
-	-	-	48,763,599	51,539,657
<u>4,691,904</u>	<u>18,904,063</u>	<u>851,418</u>	<u>75,742,977</u>	<u>522,682,537</u>
<u>(4,409,391)</u>	<u>(17,127,418)</u>	<u>(683,328)</u>	<u>(10,067,369)</u>	<u>(31,656,216)</u>
-	-	-	7,112,574	9,740,939
-	-	-	(357,511)	(9,740,939)
-	-	-	-	2,305,725
-	-	-	6,755,063	2,305,725
<u>(4,409,391)</u>	<u>(17,127,418)</u>	<u>(683,328)</u>	<u>(3,312,306)</u>	<u>(29,350,491)</u>
<u>10,015,809</u>	<u>52,465,717</u>	<u>6,351,855</u>	<u>9,644,596</u>	<u>79,477,005</u>
<u>\$ 5,606,418</u>	<u>\$ 35,338,299</u>	<u>\$ 5,668,527</u>	<u>\$ 6,332,290</u>	<u>\$ 50,126,514</u>

SCHOOL DISTRICT NO.1, 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, 2002

Net change in fund balances - total governmental funds (page 17) \$ (29,350,491)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 12,971,227

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,456,698

An internal service fund is used to account for all costs incurred for claims arising from workers' compensation, general liabilities, and property and fire losses. The primary funding sources are charges to other funds. This amount is the net loss of that fund for the year. (1,955,508)

Reduce revenue by the net book value of capital assets sold. (207,647)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 39,196,356

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in compensated absences	309,326
Change in bond interest payable	133,443

Change in net assets of governmental activities (page 13) \$ 22,553,404

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Statement of Net Assets
Proprietary Fund
June 30, 2002

	Internal Service
ASSETS	
Cash and cash equivalents	\$ 494,710
Investments	6,709,000
Accounts and other receivables	1,838
Total assets	7,205,548
 LIABILITIES	
Accounts payable and other current liabilities	157,435
Accrued salaries, wages and benefits payable	54,478
Claims payable	5,046,000
Total liabilities	5,257,913
 NET ASSETS	
Unrestricted	1,947,635
Total net assets	\$ 7,205,548

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2002

	Internal Service
REVENUES	
Charges for services	\$ 2,087,477
Insurance recoveries	143,305
Other	33,397
Total revenues	2,264,179
EXPENDITURES	
Current Operating:	
Salaries and benefits	443,463
Materials and services	338,522
Claims expense	3,617,619
Capital outlay	4,967
Total expenses	4,404,571
Operating Loss	(2,140,392)
NON OPERATING REVENUES	
Investment earnings	184,884
Net loss	(1,955,508)
Net assets - beginning of year	3,903,143
Net assets - end of year	\$ 1,947,635

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2002

	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from quasi-external transactions with other funds	\$ 2,087,477
Cash received from insurance recoveries	143,305
Cash received from miscellaneous transactions	36,466
Cash payments for salaries and benefits	(444,903)
Cash payments for goods and services	(4,477,429)
Net cash used by operating activities	(2,655,084)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	2,039,613
Investment earnings	184,884
Net cash provided by investing activities	2,224,497
Net decrease in cash and cash equivalents	(430,587)
Cash and cash equivalents at beginning of year	925,297
Cash and cash equivalents at end of year	\$ 494,710
 RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (2,140,392)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	3,069
Increase in accounts payable	130,679
Decrease in accrued salaries, and wages and benefits payable	(1,440)
Decrease in claims payable	(647,000)
Total adjustments	(514,692)
Net cash used by operating activities	\$ (2,655,084)
 Non cash activities: None	

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

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

School District No. 1, Multnomah County, Oregon, known as Portland Public Schools or the District, is governed by a seven-member elected board. The District is the special-purpose primary government exercising financial accountability for all public K-12 education within its boundaries. As required by generally accepted accounting principles, the accompanying financial statements present all significant activities and organizations of the District. The District has no component units and is not a component unit of any other entity and specifically has no relationship or connection with Multnomah County.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase or use goods, services, or privileges provided by a given function, 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.

Separate financial statements are provided for governmental funds and the Self-Insurance Fund, an internal service fund, even though the fund is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

B. 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 expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

Property taxes, 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 and available means collectible within the current year or soon thereafter. The available period for the District is 60 days after year-end.

The District reports the following major governmental funds:

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

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

System Project - Accounts for the acquisition and installation of new multi-tiered computer systems, including hardware, peripherals, software, integration of business and instructional applications, related infrastructure and training. The System Project Fund also accounts for the acquisition and installation of furniture and equipment, repair and reconstruction of District facilities, construction and preparation of facilities for interactive distance learning, and related costs and improvements. Primary resources for the fund are bond proceeds in prior years and interest earnings.

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

Facilities Improvement II - Accounts for the construction of a new elementary school, and for construction related to major renovations and priority building repairs of the District's facilities, including Americans with Disabilities Act and safety requirements. Primary resources for the fund are bond proceeds in prior years and interest earnings.

Additionally, the District reports the following proprietary internal service fund:

Self-Insurance – Accounts for all costs incurred for claims arising from workers' compensation, general liabilities, and property and fire losses. The primary funding sources are charges to other funds and investment earnings. The activity and balances of this fund are included in the governmental activities in the government-wide financial statements.

C. 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 Oregon Local Budget Law.

Consistent with Oregon law, expenditures are appropriated for each legally adopted annual operating budget at the following levels of control, as appropriate:

- Instruction
- Supporting Services
- Community Services
- Food Services
- Debt Service
- Operating Contingencies
- Fund Transfers

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

Capital outlay expenditures are appropriated within the instruction and supporting services levels of control. Debt service expenditures in the General Fund are appropriated within the supporting services level of control. For reporting purposes debt service expenditures of General Fund are segregated from the supporting services budgetary control levels and are presented in the debt service expenditures category. Capital outlay is not segregated.

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, which alters estimated total expenditures by less than 10% of any individual fund, may be adopted at the regular meeting of the Board of Education. For conditions which require either supplemental appropriations or an increase in expenditures greater than 10% of an individual fund, a supplemental budget must be adopted, which requires public hearings, publications in newspapers and approval by the Board of Education. Supplemental budgets must be 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.

D. Encumbrances

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

E. Cash and Cash Equivalents and Investments

For the purpose of the cash flow statement, the statement of net assets and the balance sheets, moneys in the Oregon State 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.

F. Property Taxes

Uncollected real and personal property taxes are reflected on the statement of net assets and the balance sheet as receivables.

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

G. Inventories and Prepaid Items

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

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

H. Capital Assets

Capital assets, which include land, buildings and site improvements, construction in progress, and vehicles and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one years. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

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

<u>Asset</u>	<u>Years</u>
Buildings	100
Site Improvements	5 to 25
Equipment	5 to 15

I. 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 a deferred revenue liability on the statement of net assets and the balance sheet.

J. Self-insurance

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

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

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

	<u>Self-insured Retention</u>	<u>Coverage per Occurrence</u>	<u>Excess Coverage</u>
General and Automobile Liabilities	\$1,000,000	\$ 1,000,000	\$4,000,000
Property and Fire Liabilities	1,000,000	100,000,000	
Earthquake and Flood Liabilities		10,000,000	
Workers' Compensation Liabilities	1,000,000		1,000,000

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

K. Compensated Absences

Classified and hourly employees earn annual vacation leave at a rate of 10 days for one to five years of service and one additional day for each additional year of service up to a maximum of 22 days per year. Administrators earn 22 days of annual vacation leave. Employees are allowed to carry over their maximum yearly earned balances from one fiscal year to another. All outstanding vacation leave is payable upon resignation, retirement, or death.

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

Vested compensated absences, which include accrued vacation and salary related payments, are accrued in the Self-Insurance Fund as they are earned by employees. In governmental fund types, the amounts expected to be liquidated with expendable available financial resources are accrued in the fund. The amount payable is recorded in the statement of net assets.

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

L. Receivables and Payables

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

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

M. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The District has determined that such items are immaterial at June 30, 2001 and 2002.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. No such items were recorded for the year ended June 30, 2002.

N. Retirement Plans

Most of the District employees participate in Oregon Public Employees Retirement System (PERS). PERS requires plan contributions on a current basis. Contributions are recorded as expenditures in individual funds as funded.

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

NOTE 2- BUDGETARY BASIS OF ACCOUNTING

While the District reports financial position, results of operations, and changes in fund balance/net assets/retained earnings on the basis of generally accepted accounting principles (GAAP), the District's budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The primary difference between the District's budgetary basis and GAAP basis are that grants administration charges are reported as transfers-out in the Grants Fund and as transfers-in in the General Fund (budget basis). On the GAAP basis, grants administration charges are reported as expenditures in the Grants Fund and as revenues in the General Fund.

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

The following budgetary control categories had expenditures in excess of appropriations for the year ended June 30, 2002:

<u>Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund:			
Supporting Services	\$ 138,295,755	\$ 139,833,257	\$ 1,537,502
Student Body Activity Fund:			
Supporting Services	\$ 7,000,000	\$ 7,043,085	\$ 43,085
Special Revenue Funds			
Supporting Services	\$ 2,893,763	\$ 3,024,377	\$ 130,614

The following funds have negative fund balances at June 30, 2002:

General Fund – (\$2,819,020)

Bond Sinking Fund – (\$71,580)

General Obligation Bond Debt Service Fund – (\$828,840)

NOTE 4 - STATE CONSTITUTIONAL PROPERTY TAX LIMITS

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

During May 1997, Oregon voters approved Measure 50 which limits taxes on each property by reducing the "assessed value" of each unit of property for the tax year 1998-99 to its 1995-96 value, less ten percent. Then, a "permanent tax rate", representing the product of dividing the tax levy by the assessed value, was calculated. The new tax rates are the permanent constitutional rate limit for each jurisdiction and are used to calculate future maximum tax rates. As a result of the establishment of permanent tax rates, the pre-existing levy-based tax system has effectively been replaced by a rate-based tax system.

The District's permanent tax rate for the year ended June 30, 2002 was \$4.7743 per \$1,000 of assessed value.

NOTE 5 – DEPOSITS AND INVESTMENTS

A. Deposits

Deposits with financial institutions include bank demand deposits, deposits in the local government investment pool, time certificates of deposits, and savings account deposits as authorized by Oregon statutes. At June 30, 2002, the carrying amount of the District's deposits was \$39,630,235 and the statement balance was \$42,104,741. Of the statement balance, \$100,000 was covered by federal depository insurance, certificates of collateral were available up to \$13,000,000, and \$36,254,667 was on deposit in the local government investment pool and was exempt from collateralization. Oregon Revised Statutes require governmental funds in banks to be either protected by federal depository insurance or the financial institution is required to maintain on deposit with collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited, covered funds are considered fully collateralized under Oregon law.

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

B. Investments

Oregon Revised Statutes authorize school districts to invest in obligations of the U.S. Treasury, agencies and instrumentalities of the United States, commercial paper, bankers' acceptances guaranteed by a qualified financial institution, repurchase agreements, interest bearing bonds of any city, county, port or school district in Oregon (subject to specific standards), and the Oregon State Local Government Investment Pool, among others. The Board of Education has adopted an investment policy for the District, which complies with state statutes.

In accordance with Governmental Accounting Standards Board (GASB) Statement No.31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value at June 30, 2002. 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 in the State of Oregon Local Government Investment Pool (LGIP) are stated at share value, which approximates fair value.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state who 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. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

At June 30, 2002, the LGIP did not report all investments at fair value in accordance with the provisions of GASB Statement No. 31. The LGIP is required by Oregon Revised Statutes (ORS) to compute the fair value of all investments maturing more than 270 days from the date the computation is made. If the fair value totals more than one percent of the balance of the LGIP in terms of unrealized gain or loss, the amount is required to be distributed to the pool participants. Fifty percent of the LGIP portfolio must mature within 93 days. Up to 25% of the LGIP portfolio may mature in over one year and no investment may mature in over three years. At June 30, 2002, the District's share of the amount of unrealized gain reported by the LGIP, in accordance with ORS, was considered immaterial.

The District's investments at June 30, 2002 are categorized below to give an indication of the level of custodial credit risk assumed by the District. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the trust department of the bank which acquired the security for the District in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the bank selling the security to the District.

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

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

	Category 1	Carrying Value	Fair Value
U.S government agency securities	\$64,421,203	\$64,421,203	\$64,421,203
Local Government Investment Pool		36,254,667	36,254,667
Cash with county Treasurer		1,078,326	1,078,326
Demand accounts		3,370,908	3,370,908
Petty cash		4,660	4,660
Total cash, cash equivalents and investments		<u>\$105,129,764</u>	<u>\$105,129,764</u>

Balance sheet classification:

Cash and cash equivalents		
Governmental funds		\$ 36,388,366
Proprietary fund		494,710
Total cash and cash equivalents		<u>36,883,076</u>
Cash in segregated accounts		
Governmental funds		2,747,159
Cash and cash equivalents held by fiscal agents		
Governmental funds		1,078,326
Investments		
Governmental funds		57,712,203
Proprietary fund		6,709,000
Total Investments		<u>64,421,203</u>
Total cash, cash equivalents and investments		<u>\$ 105,129,764</u>

NOTE 6 – RECEIVABLES

Receivables as of year-end are summarized as follows:

Receivables:	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Total
Taxes	<u>\$ 9,699,474</u>	<u>\$ -</u>	<u>\$ 2,505,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,204,634</u>
Interest	2,766	-	-	21,807	1,838	26,411
Accounts	5,138,549	1,431,278	-	5,277	-	6,575,104
Federal, state and local grants	-	12,313,141	-	-	-	12,313,141
Advances to employees	43,716	-	-	-	-	43,716
Accounts and other receivables	5,185,031	13,744,419	-	27,084	1,838	18,958,372
Total Receivables	<u>\$ 14,884,505</u>	<u>\$ 13,744,419</u>	<u>\$ 2,505,160</u>	<u>\$ 27,084</u>	<u>\$ 1,838</u>	<u>\$ 31,163,006</u>

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

NOTE 7 – CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets for the year ended June 30, 2002, follows:

Description	Balance June 30, 2001	Additions	Reclassification and Deletions	Balance June 30, 2002
Land (non-depreciable)	\$ 9,095,503	\$ -	\$ (46,125)	\$ 9,049,378
Buildings and site improvements	274,103,626	3,452,411	2,333,524	279,889,561
Vehicles and equipment	16,341,307	7,414,068	(368,272)	23,387,103
Construction in progress	2,568,898	13,932,412	(2,568,898)	13,932,412
Total General Fixed Assets	302,109,334	24,798,891	(649,771)	326,258,454
Accumulated depreciation:				
Buildings and site improvements	(85,480,437)	(10,145,192)	91,490	(95,534,139)
Vehicles and equipment	(5,750,269)	(1,682,472)	350,634	(7,082,107)
Total accumulated depreciation	(91,230,706)	(11,827,664)	442,124	(102,616,246)
Total governmental assets	\$ 210,878,628	\$ 12,971,227	\$ (207,647)	\$ 223,642,208

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

Instruction	\$ 9,624,544
Supporting services	2,189,093
Food services	14,027
	<u>\$ 11,827,664</u>

NOTE 8 – INTERFUND BALANCES

The composition of interfund balances as of June 30, 2002, is as follows:

	Due From	Due To
General Fund	\$ 7,283,190	\$ 400,000
Special revenue funds:		
Student Body Activities Fund	400,000	-
Cafeteria Fund	-	16,239
Special Revenue Funds	-	462,163
Grant Fund	-	5,434,020
Total special revenue funds	400,000	5,912,422
Debt service funds:		
Bond Sinking Fund	-	227,030
General Obligation Bond Debt Service Fund	-	1,143,738
Total debt service funds	-	1,370,768
Total all funds	\$ 7,683,190	\$ 7,683,190

NOTE 9 – SHORT TERM DEBT

During the year, the District borrowed and repaid \$55,000,000 of tax anticipation notes at a rate of 2.67% to offset untimely cash flows.

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

NOTE 10 - BONDED AND OTHER LONG-TERM DEBT

Changes in long-term debt of the District during fiscal year 2002 were as follows:

	Principal Balance July 1, 2001	Additions	Repayments	Principal Balance June 30, 2002
General Obligation Bonds				
General Obligation Bonds, Series 1995	\$ 29,500,000	\$ -	\$ (14,500,000)	\$ 15,000,000
General Obligation Bonds, Series 1996	86,325,000	-	(9,150,000)	77,175,000
Total General Obligation Bonds	115,825,000	-	(23,650,000)	92,175,000
Limited Tax General Obligation Refunding Bonds, Series 1998	42,755,000	-	(10,085,000)	32,670,000
Certificates of Participation (COP) COP, 1999	35,945,000	-	(3,885,000)	32,060,000
Refunding Special Obligations, 1993 Series A	7,405,000	-	(1,095,000)	6,310,000
Small Scale Energy Loan Programs	7,191,597	-	(481,356)	6,710,241
Total General Long-term Obligations	\$ 209,121,597	\$ -	\$ (39,196,356)	\$ 169,925,241

In 1995, voters approved for the issuance of \$196,700,000 of general obligation bonds. The District issued \$100,000,000 general obligation bonds in December 1995. The bonds are payable annually through June 2003. Interest is payable semi-annually at rates ranging from 4.25% to 4.50%. The District issued the remaining \$96,700,000 bonds in September 1996. The bonds are payable annually beginning June 1, 1999 through June 1, 2005. Interest is payable semi-annually at rates ranging from 4.25% to 5.50%. The bonds are not subject to redemption prior to their stated maturities.

The 1987 series refunding bonds were called and redeemed in 1998, with the proceeds of the Limited Tax General Obligation Refunding Bonds, Series 1998. The 1998 series refunding bonds are payable annually through June 15, 2005. Interest is payable semi-annually at rates ranging from 5.27% to 5.75%. The bonds are federally taxable and are not subject to redemption prior to their stated maturities.

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

The 1993 Series A refunding special obligations are payable annually through March 2007. Interest is payable semi-annually at rates ranging from 3.75% to 5.10%. Obligations maturing in years through 2003 are not subject to redemption prior to maturity. Obligations maturing on or after March 1, 2004 are subject to redemption in whole or in part at the option of the District on or after March 1, 2003. The obligations are also subject to redemption by lot within a maturity at the option of the District on or after March 1, 2003 on any interest date at a price of par plus accrued interest to the date of redemption.

The District borrowed from the Oregon Department of Energy Small Scale Energy Loan Program (SELP) in several increments beginning in 1993 at various interest rates. The obligations are payable monthly by the General Fund. The payment amounts are based on anticipated savings related to retrofitting and other energy conservation measures implemented with the proceeds of the loans. Such loans are not collateralized. (See note 11.)

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

In prior fiscal years, the District defeased general obligation and certain advance refunding bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trusts' assets and the liabilities for the defeased bonds are not included in the District's general purpose financial statements. At June 30, 2002, \$59,478,000 of bonds outstanding is considered defeased.

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

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

Fiscal Year	General Obligation	Limited Tax	Certificates of Participation	Refunding Special Obligations	SELP Loans	Totals
Principal:						
2003	\$ 26,800,000	\$ 10,470,000	\$ 4,045,000	\$ 1,150,000	\$ 515,661	\$ 42,980,661
2004	30,700,000	10,875,000	4,205,000	1,200,000	552,243	47,532,243
2005	34,675,000	11,325,000	4,375,000	1,255,000	591,819	52,221,819
2006	-	-	4,555,000	1,320,000	634,050	6,509,050
2007	-	-	4,750,000	1,385,000	679,314	6,814,314
2008-2014	-	-	10,130,000	-	3,737,154	13,867,154
Principal Total	92,175,000	32,670,000	32,060,000	6,310,000	6,710,241	169,925,241
Interest:						
2003	4,669,625	1,845,866	1,401,483	304,950	444,723	8,666,647
2004	3,442,125	1,271,063	1,239,683	253,200	408,141	6,614,212
2005	1,907,125	651,188	1,071,483	198,000	368,565	4,196,359
2006	-	-	889,920	135,250	326,334	1,351,504
2007	-	-	696,333	69,250	281,070	1,046,653
2008-2014	-	-	761,393	-	660,226	1,421,619
Interest Total	10,018,875	3,768,117	6,060,295	960,650	2,489,059	23,296,994
Total Debt Service	\$ 102,193,875	\$ 36,438,117	\$ 38,120,295	\$ 7,270,650	\$ 9,199,300	\$ 193,222,235

NOTE 11 - COMMITMENTS

The District maintains a \$20 million line of credit with the Oregon Department of Energy Small Scale Energy Loan Program to finance energy retrofits in District buildings. Funds, which are drawn on the line of credit at the time related retrofit costs are incurred, are recorded as proceeds of borrowing in a special revenue fund and are repayable from future energy cost savings. The unused line as of June 30, 2002 was approximately \$11.6 million.

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System (PERS)

Plan Description. The District contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, postemployment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

Funding Policy. Members of PERS are required to contribute 6.00% of their salary covered under the plan. The District is required by ORS 238.225 to contribute at an actuarially determined rate. The rate in effect for the year ended June 30, 2002 was 12.73%. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The District's contributions to PERS for the years ending December 31, 1999, 2000, and 2001 were \$25,726,720, \$29,244,553, and \$32,449,905 respectively, which equaled the required contribution for the year. (See Note 15)

B. Early Retirement Benefits

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

Funding Policy. The District pays for the benefits without any cost to employees. The contributions are financed on a pay-as-you-go basis. Therefore, the District is not required to fund the program in advance. During fiscal year 2002 the General Fund incurred expenditures of \$2,440,363 for early retirement benefits.

C. Tax Deferred Annuities

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.

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS

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

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements
For the Year Ended June 30, 2002

Funding Policy. The District pays for the benefits without any cost to employees. The contributions are financed on a pay-as-you-go basis. Therefore, the District is not required to fund the program in advance. During fiscal year 2002 the General Fund recognized expenditures of \$1,615,720 for the post-employment healthcare benefits.

NOTE 14 - RISK MANAGEMENT

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

The Self-Insurance Fund recognized the following amounts of revenues from other funds for the year ended June 30, 2002.

General Fund	\$ 1,765,701
Cafeteria Fund	36,724
Grant Fund	244,976
Special Revenue Funds	26,460
BESC Cafeteria Fund	1,672
System Project Fund	8,161
Facilities Improvement/Technology Fund	<u>3,783</u>
Total	<u><u>\$ 2,087,477</u></u>

Changes in the balances of claims liabilities during the years ended June 30, 1998 through June 30, 2002 were as follows:

<u>Fiscal</u> <u>Year</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
1998	\$ 5,013,463	\$ 3,525,634	\$ 3,267,264	\$ 5,271,833
1999	5,271,833	3,385,797	3,385,795	5,271,835
2000	5,271,835	3,805,405	3,384,240	5,693,000
2001	5,693,000	3,231,164	3,231,164	5,693,000
2002	5,693,000	3,617,617	4,264,617	5,046,000

NOTE 15 – SUBSEQUENT EVENTS

- On September 10, 2002, the District issued \$45 million of tax and revenue anticipation notes. Such notes mature on December 31, 2002.
- Portland Public Schools participated as one of forty-two Oregon school districts and education service districts in issuing limited tax pension bonds, the proceeds of which were used to finance a portion of the estimated unfunded actuarial liability of each participating school district with the Oregon Public Employees Retirement System ("PERS"). The Oregon School Boards Association ("OSBA") sponsored this pooled limited tax pension bond program. 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 PERS.

School District No. 1, Multnomah County, Oregon

Notes to the Financial Statements For the Year Ended June 30, 2002

The District issued \$210,103,857 Limited Tax Pension Obligations, Series 2002 (Federally Taxable), of which \$53,523,857 are Series 2002A (deferred interest obligations) and \$156,580,000 are Series 2002B (current interest obligations). The 2002 series Limited Tax Pension Obligations were issued on October 31, 2002, and are payable annually through June 2028. Interest is payable semiannually at rates ranging from 2.06% to 6.10%. The Series 2002B Obligations may be subject to mandatory prepayment. The bonds are federally taxable and are not subject to optional prepayment prior to their stated maturities.

- The Oregon Public Employees Retirement System ("PERS") has announced its intention to increase the rates charged to employers effective July 1, 2003. The increase is based on the PERS' actuarial valuation as of December 31, 2001. The anticipated increase to Portland Public Schools is 4% of eligible pay. On November 1, 2002, the District's employer's contribution rate was reduced from 12.73% to 8.00% because of the funding of certain of the District's unfunded liabilities by the Limited Tax Pension Obligations discussed above. Combined with this increase, and the amounts necessary to repay the bonds and related interest, the District's contribution rate to PERS is expected to approximate 16% at July 1, 2003.
- Substantially all of the Districts teachers and substitute teachers are represented by the Portland Association of Teachers (PAT) and have been working without a contract, but under the terms of the previous contract, since June 30, 2002. Negotiations are ongoing, however in December 2002 the District requested the assignment of a mediator to assist with the negotiations. Both parties are hopeful that negotiations will be successful. The outcome of these negotiations will significantly impact District operations.
- Due to the projected tax receipts deficiency, the Oregon Legislature has attempted to balance the State's budget by a combination of a proposed temporary increase in income taxes and expenditure reductions. The Oregon voters will vote upon the income tax increase on January 28, 2003. The Districts General Fund budget includes approximately \$9.5 million that is dependent on the passage of this measure. Additionally, the Legislature cut significant funding to school districts, including approximately \$21 million to Portland Public Schools. At the same time, the legislature attempted to provide the districts some accounting options included in SB 1022. The bill allows the district to record revenues and a receivable for up to \$18 million in the 2002-03 fiscal year, and then receive a payment that is equivalent to that amount in July 2003. However, the payment will be out of the 2003-04 fiscal year state allocation that might not be increased to accommodate the 2002-03 shortfall. Recording the receivable and revenue would not be acceptable under generally accepted accounting principles since the state has no obligation to restore the shortfall. If the District is unable to receive the anticipated revenue for the 2002-03 fiscal year, it may have to modify operations for that year or in the future. The legislature is anticipated to continue to address school funding issues in its regularly scheduled session which begins in January 2003.

COMBINING STATEMENTS Nonmajor Governmental Funds

Special Revenue Funds

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

Student Body Activities

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

Cafeteria

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

Special Revenue

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

BESC Cafeteria

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

Trust

Accounts for assets held by the District for various school-related organizations .

Debt Service Funds

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

System Project Debt Service

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

Blanchard Education Service Center Special Obligation Debt Service

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

Bond Sinking

Accounts for the debt service payments of the 1998 limited tax general obligation refunding bond. The principal funding source is property taxes.

General Obligation Bond Debt Service

Accounts for the debt service payments of the 1995 and 1996 series general obligation bonds. The bonds were issued to finance construction of a new elementary school, acquisition and installation of computer software and hardware in classrooms, major renovations and property building repairs of the District's facilities, including Americans with Disabilities Act and safety requirements. The principal funding source is property taxes.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Governmental Funds
Combining Balance Sheet by Fund Types
June 30, 2002

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total
ASSETS			
Cash and cash equivalents	\$ 4,840,457	\$ 7,773	\$ 4,848,230
Cash in segregated accounts	2,747,159	-	2,747,159
Cash and cash equivalents with fiscal agents	-	237,215	237,215
Accounts and other receivables	1,431,278	-	1,431,278
Property and other taxes receivable	-	2,505,160	2,505,160
Due from other funds	400,000	-	400,000
Inventories	507,173	-	507,173
Total assets	\$ 9,926,067	\$ 2,750,148	\$ 12,676,215
LIABILITIES			
Accounts payable and other current liabilities	\$ 548,155	\$ 525	\$ 548,680
Accrued salaries, wages and benefits payable	1,674,048	-	1,674,048
Due to other funds	478,402	1,370,768	1,849,170
Deferred revenues	-	2,272,027	2,272,027
Total liabilities	2,700,605	3,643,320	6,343,925
FUND BALANCES (Deficit)			
Unreserved	7,225,462	(893,172)	6,332,290
Total liabilities and fund balances	\$ 9,926,067	\$ 2,750,148	\$ 12,676,215

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Balance Sheets
June 30, 2002

	Student Body Activities Fund	Cafeteria Fund	Special Revenue Funds	BESC Cafeteria Fund	Trust Funds	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 4,779,478	\$ 20,355	\$ 40,624	\$ 4,840,457
Cash in segregated accounts	2,747,159	-	-	-	-	2,747,159
Accounts and other receivables	65,970	745,272	606,656	13,380	-	1,431,278
Due from other funds	400,000	-	-	-	-	400,000
Inventories	-	494,523	-	12,650	-	507,173
Total assets	<u>\$ 3,213,129</u>	<u>\$ 1,239,795</u>	<u>\$ 5,386,134</u>	<u>\$ 46,385</u>	<u>\$ 40,624</u>	<u>\$ 9,926,067</u>
LIABILITIES						
Accounts payable and other current liabilities	\$ 179,148	\$ 184,210	\$ 137,409	\$ 6,764	\$ 40,624	\$ 548,155
Accrued salaries, wages and benefits payable	-	840,310	800,965	32,773	-	1,674,048
Due to other funds	-	16,239	462,163	-	-	478,402
Total liabilities	<u>179,148</u>	<u>1,040,759</u>	<u>1,400,537</u>	<u>39,537</u>	<u>40,624</u>	<u>2,700,605</u>
FUND BALANCES						
Unreserved	3,033,981	199,036	3,985,597	6,848	-	7,225,462
Total liabilities and fund balances	<u>\$ 3,213,129</u>	<u>\$ 1,239,795</u>	<u>\$ 5,386,134</u>	<u>\$ 46,385</u>	<u>\$ 40,624</u>	<u>\$ 9,926,067</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Debt Service Funds
Combining Balance Sheets
June 30, 2002

	System Project Debt Service Fund	BESC Special Obligation Debt Service Fund	Bond Sinking Fund	General Obligation Bond Debt Service Fund	Total
ASSETS					
Cash and cash equivalents	\$ 7,773	\$ -	\$ -	\$ -	\$ 7,773
Cash and cash equivalents with fiscal agents	-	-	73,220	163,995	237,215
Property and other taxes receivable	-	-	781,854	1,723,306	2,505,160
Total assets	\$ 7,773	\$ -	\$ 855,074	\$ 1,887,301	\$ 2,750,148
LIABILITIES					
Accounts payable	\$ 525	\$ -	\$ -	\$ -	\$ 525
Due to other funds	-	-	227,030	1,143,738	1,370,768
Deferred revenues	-	-	699,624	1,572,403	2,272,027
Total liabilities	525	-	926,654	2,716,141	3,643,320
FUND BALANCES (Deficit)					
Unreserved	7,248	-	(71,580)	(828,840)	(893,172)
Total liabilities and fund balances	\$ 7,773	\$ -	\$ 855,074	\$ 1,887,301	\$ 2,750,148

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

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances by Fund Types
For the year ended June 30, 2002

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total
REVENUES			
Property and other taxes	\$ -	\$ 39,312,267	\$ 39,312,267
Sales	4,693,192	-	4,693,192
Federal and state support	8,484,520	-	8,484,520
Investment earnings	-	285,955	285,955
Extracurricular activities	7,006,887	-	7,006,887
Other	5,892,787	-	5,892,787
Total revenues	26,077,386	39,598,222	65,675,608
EXPENDITURES			
Current Operating:			
Instruction			
Regular programs	9,286,095	-	9,286,095
Special programs	534,585	-	534,585
Summer school programs	301,166	-	301,166
Total instruction	10,121,846	-	10,121,846
Supporting services:			
Students	816,940	-	816,940
Instructional staff	2,388,321	-	2,388,321
General administration	2,488	-	2,488
School administration	351,768	-	351,768
Business	607,790	-	607,790
Central	52,706	-	52,706
Food services	12,615,420	-	12,615,420
Community services	22,099	-	22,099
Total supporting services	16,857,532	-	16,857,532
Debt Service:			
Principal	-	38,715,000	38,715,000
Interest and fiscal charges	-	10,048,599	10,048,599
Total debt service	-	48,763,599	48,763,599
Total current expenditures	26,979,378	48,763,599	75,742,977
Excess of expenditures over revenues	(901,992)	(9,165,377)	(10,067,369)
OTHER FINANCING SOURCES (USES)			
Transfers in	227,426	6,885,148	7,112,574
Transfers out	(357,511)	-	(357,511)
Total other financing sources (uses)	(130,085)	6,885,148	6,755,063
Net change in fund balances	(1,032,077)	(2,280,229)	(3,312,306)
Fund balance - beginning of year	8,257,539	1,387,057	9,644,596
Fund balance (deficit) - end of year	\$ 7,225,462	\$ (893,172)	\$ 6,332,290

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2002

	Student Body Activities Fund	Cafeteria Fund	Special Revenue Fund	BESC Cafeteria Fund	Trust Funds	Total
REVENUES						
Sales	\$ -	\$ 4,202,897	\$ -	\$ 490,295	\$ -	\$ 4,693,192
Federal and state support	-	7,862,632	621,888	-	-	8,484,520
Extracurricular activities	7,006,887	-	-	-	-	7,006,887
Other	-	-	5,773,286	-	119,501	5,892,787
Total revenues	<u>7,006,887</u>	<u>12,065,529</u>	<u>6,395,174</u>	<u>490,295</u>	<u>119,501</u>	<u>26,077,386</u>
EXPENDITURES						
Current Operating:						
Instruction						
Regular programs	7,043,085	-	2,243,010	-	-	9,286,095
Special programs	-	-	534,585	-	-	534,585
Summer school programs	-	-	301,166	-	-	301,166
Total instruction	<u>7,043,085</u>	<u>-</u>	<u>3,078,761</u>	<u>-</u>	<u>-</u>	<u>10,121,846</u>
Supporting services:						
Students	-	-	816,940	-	-	816,940
Instructional staff	-	-	1,192,685	-	1,195,636	2,388,321
General administration	-	-	2,488	-	-	2,488
School administration	-	-	351,768	-	-	351,768
Business	-	-	607,790	-	-	607,790
Central	-	-	52,706	-	-	52,706
Food services	-	12,125,566	2,655	487,199	-	12,615,420
Community services	-	-	22,099	-	-	22,099
Total supporting services	<u>-</u>	<u>12,125,566</u>	<u>3,049,131</u>	<u>487,199</u>	<u>1,195,636</u>	<u>16,857,532</u>
Total current expenditures	<u>7,043,085</u>	<u>12,125,566</u>	<u>6,127,892</u>	<u>487,199</u>	<u>1,195,636</u>	<u>26,979,378</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,198)</u>	<u>(60,037)</u>	<u>267,282</u>	<u>3,096</u>	<u>(1,076,135)</u>	<u>(901,992)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	53,430	35,012	138,984	-	-	227,426
Transfers out	-	-	(218,526)	-	(138,985)	(357,511)
Total other financing sources (uses)	<u>53,430</u>	<u>35,012</u>	<u>(79,542)</u>	<u>-</u>	<u>(138,985)</u>	<u>(130,085)</u>
Net change in fund balances	17,232	(25,025)	187,740	3,096	(1,215,120)	(1,032,077)
Fund balance - beginning of year	3,016,749	224,061	3,797,857	3,752	1,215,120	8,257,539
Fund balance - end of year	<u>\$ 3,033,981</u>	<u>\$ 199,036</u>	<u>\$ 3,985,597</u>	<u>\$ 6,848</u>	<u>\$ -</u>	<u>\$ 7,225,462</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2002

	System Project Debt Service Fund	BESC Special Obligation Debt Service Fund	Bond Sinking Fund	General Obligation Bond Debt Service Fund	Total
REVENUES					
Property and other taxes	\$ -	\$ -	\$ 12,167,806	\$ 27,144,461	\$ 39,312,267
Investment earnings	-	-	87,476	198,479	285,955
Total revenues	<u>-</u>	<u>-</u>	<u>12,255,282</u>	<u>27,342,940</u>	<u>39,598,222</u>
EXPENDITURES					
Debt Service:					
Principal	3,885,000	1,095,000	10,085,000	23,650,000	38,715,000
Interest and fiscal charges	1,559,958	354,225	2,400,541	5,733,875	10,048,599
Total expenditures	<u>5,444,958</u>	<u>1,449,225</u>	<u>12,485,541</u>	<u>29,383,875</u>	<u>48,763,599</u>
Excess expenditures over revenues	<u>(5,444,958)</u>	<u>(1,449,225)</u>	<u>(230,259)</u>	<u>(2,040,935)</u>	<u>(9,165,377)</u>
OTHER FINANCING SOURCES					
Operating transfers in	5,441,882	1,443,266	-	-	6,885,148
Net change in fund balances	(3,076)	(5,959)	(230,259)	(2,040,935)	(2,280,229)
Fund balance - beginning of year	10,324	5,959	158,679	1,212,095	1,387,057
Fund balance (deficit) - end of year	<u>\$ 7,248</u>	<u>\$ -</u>	<u>\$ (71,580)</u>	<u>\$ (828,840)</u>	<u>\$ (893,172)</u>

BUDGETARY COMPARISON SCHEDULES

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Property and other taxes	\$ 121,499,994	\$ 123,680,848	\$ 127,117,552	\$ 3,436,704
State School Fund funding	196,732,357	196,732,357	193,284,103	(3,448,254)
Local option taxes	18,820,755	16,639,901	14,879,271	(1,760,630)
County and intermediate sources	9,930,986	10,405,986	10,863,837	457,851
State Common School Fund funding	2,016,848	2,016,848	1,527,383	(489,465)
Investment earnings	5,000,000	5,000,000	2,612,887	(2,387,113)
Other	6,881,936	6,406,936	7,016,098	609,162
Total revenues	360,882,876	360,882,876	357,301,131	(3,581,745)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	156,660,213	157,190,066	157,816,327	(626,261)
Materials and services	4,645,379	3,948,694	3,749,545	199,149
Total regular programs	161,305,592	161,138,760	161,565,872	(427,112)
Special programs:				
Salaries and benefits	47,403,516	45,430,798	46,074,146	(643,348)
Materials and services	12,397,841	12,488,811	11,182,821	1,305,990
Total special programs	59,801,357	57,919,609	57,256,967	662,642
Summer school programs:				
Salaries and benefits	356,157	474,689	416,468	58,221
Materials and services	314,769	31,413	7,116	24,297
Total summer school programs	670,926	506,102	423,584	82,518
Total instruction	221,777,875	219,564,471	219,246,423	318,048
Supporting services:				
Students:				
Salaries and benefits	26,799,296	28,162,379	28,400,371	(237,992)
Materials and services	908,678	1,087,129	1,293,896	(206,767)
Total students	27,707,974	29,249,508	29,694,267	(444,759)
Instructional staff:				
Salaries and benefits	9,866,611	10,011,751	10,393,504	(381,753)
Materials and services	2,729,732	1,894,876	1,219,676	675,200
Total instructional staff	12,596,343	11,906,627	11,613,180	293,447
General administration:				
Salaries and benefits	3,510,493	2,164,359	2,163,561	798
Materials and services	1,084,421	1,324,353	1,160,381	163,972
Total general administration	4,594,914	3,488,712	3,323,942	164,770

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON

General Fund (Continued)

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

For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Supporting services (continued):				
School administration:				
Salaries and benefits	26,018,120	26,735,923	27,168,989	(433,066)
Materials and services	824,343	456,318	412,342	43,976
Total school administration	26,842,463	27,192,241	27,581,331	(389,090)
Business:				
Salaries and benefits	31,683,019	30,827,939	31,763,014	(935,075)
Materials and services	21,249,545	21,813,859	22,209,952	(396,093)
Total business	52,932,564	52,641,798	53,972,966	(1,331,168)
Central:				
Salaries and benefits	7,957,093	8,782,025	8,567,233	214,792
Materials and services	2,403,837	2,310,170	2,304,280	5,890
Total central	10,360,930	11,092,195	10,871,513	220,682
Other uses:				
Debt Service	2,931,777	2,724,674	2,776,058	(51,384)
Total support services	137,966,965	138,295,755	139,833,257	(1,537,502)
Total current expenditures	359,744,840	357,860,226	359,079,680	(1,219,454)
Operating contingency	400,994	2,187,853	-	2,187,853
Total expenditures	360,145,834	360,048,079	359,079,680	(968,399)
Excess (deficiency) of revenues over (under) expenditures	737,042	834,797	(1,778,549)	(2,613,346)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,660,107	2,660,107	2,628,365	(31,742)
Transfers out	(6,885,149)	(6,982,904)	(6,973,589)	9,315
Sale of property	3,488,000	3,488,000	2,305,725	(1,182,275)
Total other financing sources and (uses)	(737,042)	(834,797)	(2,039,499)	(1,204,702)
Net change in fund balance	-	-	(3,818,048)	(3,818,048)
Fund balance - beginning of year	-	-	999,028	999,028
Fund balance (deficit) - end of year	\$ -	\$ -	\$ (2,819,020)	\$ (2,819,020)

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

SCHOOL DISTRICT NO.1, 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, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Extracurricular activities	\$ 6,500,000	\$ 6,446,245	\$ 7,006,887	\$ 560,642
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs				
Materials and services	7,000,000	7,000,000	7,043,085	(43,085)
Excess of expenditures over revenues	(500,000)	(553,755)	(36,198)	517,557
OTHER FINANCING SOURCES (USES)				
Transfers in	-	53,755	53,430	(325)
Net change in fund balance	(500,000)	(500,000)	17,232	517,232
Fund balance - beginning of year	3,000,000	3,000,000	3,016,749	16,749
Fund balance (deficit) - end of year	\$ 2,500,000	\$ 2,500,000	\$ 3,033,981	\$ 533,981

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Cafeteria Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Sales	\$ 5,294,551	\$ 5,250,551	\$ 4,202,897	\$ (1,047,654)
Federal and state support	8,624,374	8,624,374	7,862,632	(761,742)
Other	350,000	350,000	-	(350,000)
Total revenues	<u>14,268,925</u>	<u>14,224,925</u>	<u>12,065,529</u>	<u>(2,159,396)</u>
EXPENDITURES				
Current Operating:				
Supporting Services:				
Food services:				
Salaries and benefits	7,798,839	7,705,839	7,055,369	650,470
Materials and services	6,315,000	6,408,000	5,070,197	1,337,803
Total food services	<u>14,113,839</u>	<u>14,113,839</u>	<u>12,125,566</u>	<u>1,988,273</u>
Operating Contingency	<u>100,000</u>	<u>100,000</u>	-	<u>100,000</u>
Total expenditures	<u>14,213,839</u>	<u>14,213,839</u>	<u>12,125,566</u>	<u>2,088,273</u>
Excess (deficiency) of revenues over (under) expenditures	55,086	11,086	(60,037)	(71,123)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	44,000	35,012	(8,988)
Net change in fund balance	55,086	55,086	(25,025)	(80,111)
Fund balance - beginning of year	800,000	800,000	224,061	(575,939)
Fund balance - end of year	<u>\$ 855,086</u>	<u>\$ 855,086</u>	<u>\$ 199,036</u>	<u>\$ (656,050)</u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Grant Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive/</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal and state support	\$ 67,900,307	\$ 76,741,246	\$ 65,822,334	\$ (10,918,912)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	3,714,303	6,968,882	5,964,354	1,004,528
Materials and services	3,096,203	1,341,690	820,359	521,331
Total regular programs	<u>6,810,506</u>	<u>8,310,572</u>	<u>6,784,713</u>	<u>1,525,859</u>
Special programs:				
Salaries and benefits	22,582,865	27,796,390	26,225,026	1,571,364
Materials and services	23,169,631	12,302,015	12,252,282	49,733
Total special programs	<u>45,752,496</u>	<u>40,098,405</u>	<u>38,477,308</u>	<u>1,621,097</u>
Summer school programs:				
Salaries and benefits	38,564	61,654	80,657	(19,003)
Materials and services	14,054	11,003	2,214	8,789
Total summer school programs	<u>52,618</u>	<u>72,657</u>	<u>82,871</u>	<u>(10,214)</u>
Total instruction	<u>52,615,620</u>	<u>48,481,634</u>	<u>45,344,892</u>	<u>3,136,742</u>
Supporting Services:				
Students:				
Salaries and benefits	1,355,999	6,436,659	5,389,809	1,046,850
Materials and services	3,771,553	5,763,922	2,966,961	2,796,961
Total students	<u>5,127,552</u>	<u>12,200,581</u>	<u>8,356,770</u>	<u>3,843,811</u>
Instructional staff:				
Salaries and benefits	1,164,750	4,723,678	3,399,792	1,323,886
Materials and services	2,599,087	3,532,452	2,348,366	1,184,086
Total instructional staff	<u>3,763,837</u>	<u>8,256,130</u>	<u>5,748,158</u>	<u>2,507,972</u>
General administration:				
Salaries and benefits	31,479	-	-	-
Materials and services	56,505	-	-	-
Total general administration	<u>87,984</u>	<u>-</u>	<u>-</u>	<u>-</u>
School administration:				
Salaries and benefits	134,487	303,959	276,425	27,534
Materials and services	107,992	49,538	37,346	12,192
Total school administration	<u>242,479</u>	<u>353,497</u>	<u>313,771</u>	<u>39,726</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Grant Fund (Continued)
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Supporting Services (continued):				
Business:				
Salaries and benefits	274,667	64,540	18,897	45,643
Materials and services	188,230	222,230	234,418	(12,188)
Total business	462,897	286,770	253,315	33,455
Central:				
Salaries and benefits	504,070	1,210,180	745,825	464,355
Materials and services	532,177	450,008	277,633	172,375
Total central	1,036,247	1,660,188	1,023,458	636,730
Facilities:				
Salaries and benefits	-	-	-	-
Materials and services	-	62,000	144,608	(82,608)
Total facilities	-	62,000	144,608	(82,608)
Total supporting services	10,720,996	22,819,166	15,840,080	6,979,086
Food Services:				
Salaries and benefits	171,106	533,246	146,411	386,835
Materials and services	497,854	489,357	485,492	3,865
Total food services	668,960	1,022,603	631,903	390,700
Community Services:				
Salaries and benefits	848,828	1,362,278	1,410,728	(48,450)
Materials and services	457,592	339,455	184,892	154,563
Total community services	1,306,420	1,701,733	1,595,620	106,113
Total current expenditures	65,311,996	74,025,136	63,412,495	10,612,641
Excess of revenues over expenditures	2,588,311	2,716,110	2,409,839	306,271
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,588,311)	(2,716,110)	(2,409,839)	306,271
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.1, MULTNOMAH COUNTY, OREGON
Special Revenue Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal and state support	\$ 375,000	\$ 700,000	\$ 621,888	\$ (78,112)
Other	5,170,362	7,183,539	5,773,286	(1,410,253)
Total revenues	<u>5,545,362</u>	<u>7,883,539</u>	<u>6,395,174</u>	<u>(1,488,365)</u>
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	1,207,893	2,189,246	1,988,415	200,831
Materials and services	662,299	862,357	254,595	607,762
Total regular programs	<u>1,870,192</u>	<u>3,051,603</u>	<u>2,243,010</u>	<u>808,593</u>
Special programs:				
Salaries and benefits	1,153,530	1,231,779	511,270	720,509
Materials and services	479,011	244,511	23,315	221,196
Total special programs	<u>1,632,541</u>	<u>1,476,290</u>	<u>534,585</u>	<u>941,705</u>
Summer school programs:				
Salaries and benefits	287,909	306,160	278,418	27,742
Materials and services	74,921	44,822	22,748	22,074
Total summer school programs	<u>362,830</u>	<u>350,982</u>	<u>301,166</u>	<u>49,816</u>
Total instruction	<u>3,865,563</u>	<u>4,878,875</u>	<u>3,078,761</u>	<u>1,800,114</u>
Supporting Services:				
Students:				
Salaries and benefits	46,831	542,560	566,063	(23,503)
Materials and services	169,552	154,523	250,877	(96,354)
Total students	<u>216,383</u>	<u>697,083</u>	<u>816,940</u>	<u>(119,857)</u>
Instructional staff:				
Salaries and benefits	601,327	788,905	871,386	(82,481)
Materials and services	311,197	655,618	321,299	334,319
Total instructional staff	<u>912,524</u>	<u>1,444,523</u>	<u>1,192,685</u>	<u>251,838</u>
General administration:				
Salaries and benefits	-	9,139	1,092	8,047
Materials and services	14,499	29,602	1,396	28,206
Total general administration	<u>14,499</u>	<u>38,741</u>	<u>2,488</u>	<u>36,253</u>
School administration:				
Salaries and benefits	176,433	316,690	277,380	39,310
Materials and services	103,940	117,523	74,388	43,135
Total school administration	<u>280,373</u>	<u>434,213</u>	<u>351,768</u>	<u>82,445</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Special Revenue Funds (Continued)
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Supporting Services (continued):				
Business:				
Salaries and benefits	26,562	36,700	37,738	(1,038)
Materials and services	145,385	194,673	570,052	(375,379)
Total business	171,947	231,373	607,790	(376,417)
Central:				
Salaries and benefits	-	-	-	-
Materials and services	9,101	47,830	52,706	(4,876)
Total central	9,101	47,830	52,706	(4,876)
Total supporting services	1,604,827	2,893,763	3,024,377	(130,614)
Food Services:				
Salaries and benefits	-	-	-	-
Materials and services	3,176	14,105	2,655	11,450
Total food services	3,176	14,105	2,655	11,450
Community Services:				
Salaries and benefits	-	22,484	8,200	14,284
Materials and services	-	37,032	13,899	23,133
Total community services	-	59,516	22,099	37,417
Total current expenditures	5,473,566	7,846,259	6,127,892	1,718,367
Excess of revenues over expenditures	71,796	37,280	267,282	230,002
OTHER FINANCING SOURCES (USES)				
Transfers in	161,500	121,406	138,984	17,578
Transfers out	(233,296)	(158,686)	(218,526)	(59,840)
Total other financing sources (uses)	(71,796)	(37,280)	(79,542)	(42,262)
Net change in fund balance	-	-	187,740	187,740
Fund balance - beginning of year	-	-	3,797,857	3,797,857
Fund balance - end of year	\$ -	\$ -	\$ 3,985,597	\$ 3,985,597

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
BESC Cafeteria Fund
Budgeted As: Blanchard Education Service Center Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Sales	\$ 572,574	\$ 572,574	\$ 490,295	\$ (82,279)
EXPENDITURES				
Current Operating:				
Supporting Services:				
Food services:				
Salaries and benefits	278,088	279,438	291,942	(12,504)
Materials and services	249,500	249,500	195,257	54,243
Total food services	527,588	528,938	487,199	41,739
Operating Contingency	37,500	36,150	-	36,150
Total expenditures	565,088	565,088	487,199	77,889
Excess of revenues over expenditures	7,486	7,486	3,096	(4,390)
Fund balance - beginning of year	30,000	30,000	3,752	(26,248)
Fund balance - end of year	\$ 37,486	\$ 37,486	\$ 6,848	\$ (30,638)

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
System Project Debt Service Fund
Schedule of Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal	\$ 3,885,000	\$ 3,885,000	\$ 3,885,000	\$ -
Interest and fiscal charges	1,562,065	1,562,065	1,559,958	(2,107)
Total expenditures	5,447,065	5,447,065	5,444,958	(2,107)
OTHER FINANCING SOURCES				
Operating transfers in	5,441,883	5,441,883	5,441,882	1
Net change in fund balances	(5,182)	(5,182)	(3,076)	2,106
Fund balance - beginning of year	5,182	5,182	10,324	5,142
Fund balance - end of year	\$ -	\$ -	\$ 7,248	\$ 7,248

Note: Bolded line indicates legally required appropriation budget level of control

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
BESC Special Obligation Debt Service Fund
Schedule of Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Debt Service:				
Principal	\$ 1,095,000	\$ 1,095,000	\$ 1,095,000	\$ -
Interest and fiscal charges	354,225	354,225	354,225	-
Total expenditures	1,449,225	1,449,225	1,449,225	-
OTHER FINANCING SOURCES				
Operating transfers in	1,443,266	1,443,266	1,443,266	-
Net change in fund balances	(5,959)	(5,959)	(5,959)	-
Fund balance - beginning of year	5,959	5,959	5,959	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

Note: Bolded line indicates legally required appropriation budget level of control

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Bond Sinking Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Property and other taxes	\$ 11,985,541	\$ 11,985,541	\$ 12,167,806	\$ 182,265
Investment earnings	250,000	250,000	87,476	(162,524)
Total revenues	12,235,541	12,235,541	12,255,282	19,741
EXPENDITURES				
Debt Service:				
Principal	10,085,000	10,085,000	10,085,000	-
Interest and fiscal charges	2,400,541	2,400,541	2,400,541	-
Total expenditures	12,485,541	12,485,541	12,485,541	-
Excess of expenditures over revenues	(250,000)	(250,000)	(230,259)	19,741
Fund balance - beginning of year	250,000	250,000	158,679	(91,321)
Fund balance (deficit) - end of year	\$ -	\$ -	\$ (71,580)	\$ (71,580)

Note: Bolded line indicates legally required appropriation budget level of control

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
General Obligation Bonds Debt Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Property and other taxes	\$ 26,383,875	\$ 26,383,875	\$ 27,144,461	\$ 760,586
Investment earnings	550,000	550,000	198,479	(351,521)
Total revenues	<u>26,933,875</u>	<u>26,933,875</u>	<u>27,342,940</u>	<u>409,065</u>
EXPENDITURES				
Debt Service:				
Principal	23,650,000	23,650,000	23,650,000	-
Interest and fiscal charges	5,733,875	5,733,875	5,733,875	-
Total expenditures	<u>29,383,875</u>	<u>29,383,875</u>	<u>29,383,875</u>	<u>-</u>
Excess of expenditures over revenues	(2,450,000)	(2,450,000)	(2,040,935)	409,065
Fund balance - beginning of year	2,450,000	2,450,000	1,212,095	(1,237,905)
Fund balance (deficit) - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (828,840)</u>	<u>\$ (828,840)</u>

Note: Bolded line indicates legally required appropriation budget level of control

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
System Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 175,000	\$ 175,000	\$ 282,513	\$ 107,513
EXPENDITURES				
Current Operating:				
Supporting Services:				
Central:				
Salaries and benefits	1,121,493	1,121,493	1,350,835	(229,342)
Materials and services	8,370,021	8,370,021	2,958,599	5,411,422
Total central	9,491,514	9,491,514	4,309,434	5,182,080
Facilities:				
Materials and services	646,625	646,625	382,470	264,155
Total supporting services	10,138,139	10,138,139	4,691,904	5,446,235
Total current expenditures	10,138,139	10,138,139	4,691,904	5,446,235
Excess of expenditures over revenues	(9,963,139)	(9,963,139)	(4,409,391)	5,553,748
Fund balance - beginning of year	9,963,139	9,963,139	10,015,809	52,670
Fund balance - end of year	\$ -	\$ -	\$ 5,606,418	\$ 5,606,418

Note: Bolded line indicates legally required appropriation budget level of control

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Facilities Improvement/Technology Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 1,720,000	\$ 1,720,000	\$ 1,776,645	\$ 56,645
EXPENDITURES				
Current Operating:				
Supporting Services:				
Instructional staff:				
Materials and services	4,121,291	4,121,291	983,764	3,137,527
Business:				
Materials and services	-	-	1,602	(1,602)
Central:				
Materials and services	779,910	779,910	941,649	(161,739)
Facilities:				
Salaries and benefits	605,262	605,262	600,606	4,656
Materials and services	22,439,363	22,439,363	16,376,442	6,062,921
Total facilities	23,044,625	23,044,625	16,977,048	6,067,577
Total supporting services	27,945,826	27,945,826	18,904,063	9,041,763
Total expenditures	27,945,826	27,945,826	18,904,063	9,041,763
Excess of expenditures over revenues	(26,225,826)	(26,225,826)	(17,127,418)	9,098,408
Fund balance - beginning of year	54,000,000	54,000,000	52,465,717	(1,534,283)
Fund balance - end of year	\$ 27,774,174	\$ 27,774,174	\$ 35,338,299	\$ 7,564,125

Note: Bolded line indicates legally required appropriation budget level of control

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Facilities Improvement II Fund
Budgeted As: Facilities Improvement II/Technology Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ -	\$ 140,000	\$ 168,090	\$ 28,090
EXPENDITURES				
Current Operating:				
Supporting Services:				
Facilities:				
Materials and services	1,500,000	1,650,000	851,418	798,582
Excess of expenditures over revenues	(1,500,000)	(1,510,000)	(683,328)	826,672
Fund balance - beginning of year	7,000,000	7,000,000	6,351,855	(648,145)
Fund balance - end of year	\$ 5,500,000	\$ 5,490,000	\$ 5,668,527	\$ 178,527

Note: Bolded line indicates legally required appropriation budget level of control

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Self-Insurance Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Basis)
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 3,232,961	\$ 3,232,961	\$ 2,087,477	\$ (1,145,484)
Investments	450,000	450,000	184,884	(265,116)
Insurance recoveries	75,000	75,000	143,305	68,305
Other	75,000	75,000	33,397	(41,603)
Total revenues	<u>3,832,961</u>	<u>3,832,961</u>	<u>2,449,063</u>	<u>(1,383,898)</u>
EXPENDITURES				
Current Operating:				
Supporting Services:				
Salaries and benefits	438,238	424,485	425,573	(1,088)
Materials and services	706,050	706,050	338,522	367,528
Claims expense	4,283,846	4,297,599	3,617,619	679,980
Capital outlay	35,000	35,000	4,967	30,033
Total expenditures	<u>5,463,134</u>	<u>5,463,134</u>	<u>4,386,681</u>	<u>1,076,453</u>
Excess of expenditures over revenues	(1,630,173)	(1,630,173)	(1,937,618)	(307,445)
Fund balance - beginning of year	2,850,000	2,850,000	3,903,143	1,053,143
Fund balance - end of year	<u>\$ 1,219,827</u>	<u>\$ 1,219,827</u>	<u>1,965,525</u>	<u>\$ 745,698</u>
Less salaries and benefits accrued under GAAP			(17,890)	
Retained earnings at end of year, GAAP basis			<u>\$ 1,947,635</u>	

Note: Bolded line indicates legally required appropriation budget level of control

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Trust Funds
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investments and contributions	\$ 150,000	\$ 74,163	\$ 119,501	\$ 45,338
EXPENDITURES				
Current Operating:				
Supporting Services:				
Instructional staff:				
Scholarships, awards and other	1,388,500	1,388,500	1,195,636	192,864
Excess of expenditures over revenues	(1,238,500)	(1,314,337)	(1,076,135)	238,202
OTHER FINANCING (USES)				
Transfers out	(161,500)	(161,500)	(138,985)	22,515
Excess of expenditures and other financing uses over revenues	(1,400,000)	(1,475,837)	(1,215,120)	260,717
Fund balance - beginning of year	1,400,000	1,475,837	1,215,120	(260,717)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: Bolded line indicates legally required appropriation budget level of control

OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Schedule of Property Tax Transactions
General Fund
For the Year Ended June 30, 2002

DISTRICT LEVIES	Tax Year	Taxes		Levy as Extended by Assessor	Discunts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes	
		Uncollected June 30, 2001	Uncollected June 30, 2002						Uncollected June 30, 2001	Uncollected June 30, 2002
Multnomah County:										
General Tax:										
Current Year	2001-2002	\$ -	\$ -	\$ 141,579,954	\$ (3,275,876)	\$ 83,351	\$ (757,347)	\$ (132,615,235)	\$	\$ 5,014,848
Prior Years	2000-2001	4,958,584		-	-	175,839	(375,604)	(2,582,139)		2,176,681
	1999-2000	2,023,621		-	-	151,520	(151,575)	(975,957)		1,047,609
	1998-1999	979,726		-	-	154,564	(70,765)	(672,938)		390,587
	1997-1998	397,473		-	-	73,332	(20,245)	(349,443)		101,118
	1996-1997	56,491		-	-	2,724	(5,953)	(21,979)		31,282
	1995-1996	21,761		-	(6)	3,698	(4,857)	(9,783)		10,813
	1994-1995	19,715		-	(9)	1,660	184,244	(192,399)		13,211
	1993-1994	63,548		-	(12)	1,409	(1,528)	(3,549)		59,867
	and prior	117,837		-	-	11,910	(18,789)	(20,451)		90,507
Total General Tax:		\$ 8,638,756		\$ 141,579,954	\$ (3,275,903)	\$ 660,008	\$ (1,222,420)	(137,443,874)		\$ 8,936,523
										\$ (780,695)
										\$ 8,155,828
Local Option Taxes:										
Current Year	2001-2002	\$ -	\$ -	\$ 15,427,228	\$ (356,955)	\$ 9,082	\$ (82,524)	\$ (14,450,389)	\$	\$ 546,442
Prior Year	2000-2001	497,262		-	-	17,634	(37,667)	(258,945)		218,284
Total Local Option Taxes:		\$ 497,262		\$ 15,427,228	\$ (356,955)	\$ 26,716	\$ (120,191)	\$ (14,709,334)		\$ 764,726
Total Multnomah County:		\$ 9,136,018		\$ 157,007,182	\$ (3,632,858)	\$ 686,724	\$ (1,342,610)	\$ (152,153,208)		\$ 8,920,554
Washington County:										
All Years				\$ 1,094,899				\$ (1,094,899)		
Total Washington County:				\$ 1,094,899				\$ (1,094,899)		
Clackamas County:										
All Years				\$ 143,733				\$ (143,733)		
Total Clackamas County:				\$ 143,733				\$ (143,733)		
Total All Counties:		\$ 9,136,018		\$ 158,245,814	\$ (3,632,858)	\$ 686,724	\$ (1,342,610)	\$ (153,391,840)		\$ 8,920,554

¹ The total collections from Washington and Clackamas Counties were less than one percent of the District's total property tax collections. The taxes receivable from the two counties at June 30, 2002 were considered immaterial.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Schedule of Property Tax Transactions
General Fund (continued)
For the Year Ended June 30, 2002

Reconciliation to Financial Statements:

Property tax collections during the year ended June 30, 2002	\$ 153,391,840
Non-levied tax revenue received during year ended June 30, 2002	452,277
Uncollected property taxes at June 30, 2002	\$ 8,920,554
Uncollected property taxes susceptible to accrual at June 30, 2002	830,687 (749,826)
Non-levied tax revenue susceptible to accrual at June 30, 2002	166,525 (151,792)
Property taxes & non-levy rev susceptible to accrual at June 30, 2001, and collected during the year ended June 30, 2002	(676,700)
Less property tax revenues allocated to Bond Sinking Debt Service Fund	<u>(12,167,806)</u>
Total property taxes - General Fund	<u>\$ 141,996,822</u>
Total Deferred Revenues - General Fund	<u>\$ 8,018,936</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
 Schedule of Property Tax Transactions
Debt Service Funds
 For the Year Ended June 30, 2002

DISTRICT LEVIES	Tax Year	Taxes Uncollected June 30, 2001	Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes
								Uncollected June 30, 2002
Multnomah County:								
Bond Tax:								
Current Year	2001-2002	\$ -	\$ 27,694,716	\$ (640,800)	\$ 16,304	\$ (148,146)	\$ (25,941,110)	\$ 980,964
Prior Years								
	2000-2001	954,478	-	-	33,847	(72,300)	(487,036)	418,989
	1999-2000	414,466	-	-	31,033	(31,045)	(199,890)	214,565
	1998-1999	190,977	-	-	30,129	(13,794)	(131,175)	76,137
	1997-1998	100,072	-	-	18,463	(5,097)	(87,980)	25,459
	1996-1997	8,335	-	-	402	(678)	(3,243)	4,616
Total Multnomah County:		<u>\$ 1,668,327</u>	<u>\$ 27,694,716</u>	<u>\$ (640,800)</u>	<u>\$ 130,179</u>	<u>\$ (271,260)</u>	<u>\$ (26,660,433)</u>	<u>\$ 1,720,728</u>
Washington County:								
All Years			\$ 190,628				\$ (190,628)	
Total Washington County:			<u>\$ 190,628</u>				<u>\$ (190,628)</u>	
Clackamas County:								
All Years			\$ 24,221				\$ (24,221)	
Total Clackamas County:			<u>\$ 24,221</u>				<u>\$ (24,221)</u>	
Total All Counties:		<u>\$ 1,668,327</u>	<u>\$ 27,909,565</u>	<u>\$ (640,800)</u>	<u>\$ 130,179</u>	<u>\$ (271,260)</u>	<u>\$ (27,075,282)</u>	<u>\$ 2,501,423</u>
Reconciliation to Financial Statements:								
Property tax collections during the year ended June 30, 2002								
Non-levied tax revenue received during year ended June 30, 2002								
Uncollected property taxes at June 30, 2002								
Uncollected property taxes susceptible to accrual at June 30, 2002								
Non-levied tax revenue susceptible to accrual at June 30, 2002								
Property taxes & non-levy rev susceptible to accrual at June 30, 2001, and collected during the year ended June 30, 2002								
Total property tax revenues allocated from the General Fund to the Bond Sinking Debt Service Fund								
Total property taxes - Debt Service Funds								
Total Deferred Revenues - Debt Service Funds								
							\$ 27,075,282	\$ 2,501,423
							52,598	(213,919)
							149,859	(15,477)
							1,045	(134,324)
							12,167,806	
							\$ 39,312,267	\$ 2,272,027

¹ The total collections from Washington and Clackamas Counties were less than one percent of the District's total property tax collections. The taxes receivable from the two counties at June 30, 2002 were considered immaterial.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedules By Source
June 30, 2002

Governmental funds capital assets:	
Land	\$ 9,049,378
Buildings and site improvements	279,889,561
Vehicles and equipment	23,387,103
Construction in progress	13,932,412
Total governmental funds capital assets	<u>\$ 326,258,454</u>

Investments in governmental funds capital assets by source:	
General fund	\$ 146,524,553
Special Revenue funds	536,766
Capital Projects funds	179,197,135
Total governmental funds capital assets	<u>\$ 326,258,454</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2002

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Site Improvements</u>	<u>Vehicles and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:					
Instruction	\$ 7,153,098	\$ 254,368,443	\$ 323,559	\$ 13,932,412	\$ 275,777,512
Supporting services	1,896,280	25,521,118	22,853,146	-	50,270,544
Food services	-	-	210,398	-	210,398
Total governmental funds capital assets	<u>\$ 9,049,378</u>	<u>\$ 279,889,561</u>	<u>\$ 23,387,103</u>	<u>\$ 13,932,412</u>	<u>\$ 326,258,454</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the fiscal year ended June 30, 2002

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2002</u>
General government				
Instruction	\$ 258,699,988	\$ 17,359,023	\$ 281,499	\$ 275,777,512
Supporting services	43,198,948	7,439,868	368,272	50,270,544
Food services	210,398	-	-	210,398
Total governmental funds capital assets	<u>\$ 302,109,334</u>	<u>\$ 24,798,891</u>	<u>\$ 649,771</u>	<u>\$ 326,258,454</u>

Table I
SCHOOL DISTRICT NO. 1, MULTNOMAH COUNTY OREGON
General Fund Expenditures and Other Financing Uses by Function and Program
 Last Ten Years

	1983	1984	1985	1986	1987	1988	1989	2000	2001	2002
General Fund:										
Instruction:										
Regular Programs	\$ 142,456,849	\$ 144,770,184	\$ 148,965,576	\$ 150,813,898	\$ 150,133,204	\$ 150,321,408	\$ 155,011,503	\$ 161,878,770	\$ 156,421,886	\$ 161,989,456
Special Education	39,745,451	38,185,487	31,088,264	36,387,383	38,183,688	40,481,187	42,524,537	47,359,782	58,781,899	57,258,987
Total Instruction	182,202,300	182,955,671	180,053,840	187,201,282	188,316,892	190,802,595	197,536,040	209,238,552	215,183,585	219,248,443
Supporting Services:										
Students										
General Administration	53,743,863	51,258,215	47,800,715	44,345,897	41,351,498	43,810,554	53,132,834	51,993,849	15,483,389	11,613,180
School Administration	3,948,063	2,860,700	3,204,345	4,251,456	4,673,486	4,835,215	5,106,413	5,481,143	5,216,157	3,323,942
Business	-	-	-	-	-	-	-	-	25,889,859	27,581,331
Central	-	-	-	-	-	-	-	-	56,037,473	53,972,968
Administrative Support	15,052,838	13,250,974	2,840,300	6,334,885	11,773,841	12,399,427	14,460,242	14,274,750	-	-
Operation and Maintenance	40,922,657	42,275,258	38,417,128	37,564,506	38,873,723	38,845,884	35,242,254	35,793,914	-	-
Student Transportation	10,260,167	10,755,573	9,685,995	9,678,952	10,335,147	12,738,558	13,702,513	14,096,579	-	-
Total Supporting Services	123,927,588	120,520,720	101,927,881	102,173,196	107,807,485	110,029,436	121,644,056	121,650,235	140,684,719	137,057,199
Capital Outlay	1,008,701	2,149,637	1,370,106	1,650,714	1,251,757	994,734	807,839	499,956	-	-
Debt Service	-	-	-	-	-	2,659,232	1,562,153	1,865,109	2,787,862	2,776,058
Transfers Out	23,074,988	20,358,822	20,859,574	22,075,004	20,876,984	21,796,278	20,979,306	9,888,370	6,896,908	6,973,589
Bond Refeasement	-	-	-	-	-	-	-	2,759,464	-	-
Total General Fund	\$ 330,213,575	\$ 325,964,830	\$ 304,011,401	\$ 313,100,178	\$ 318,259,106	\$ 326,282,255	\$ 342,629,394	\$ 345,901,666	\$ 385,533,074	\$ 386,053,269
Student enrollment:										
Average daily membership	50,703	50,101	49,287	49,276	49,357	49,712	49,532	48,900	48,478	48,152
Cost per Pupil:										
Instruction	\$ 3,594	\$ 3,651	\$ 3,653	\$ 3,799	\$ 3,816	\$ 3,838	\$ 3,988	\$ 4,279	\$ 4,439	\$ 4,553
Students	1,060	1,023	970	800	838	877	1,073	1,063	319	241
General Administration	78	59	65	86	95	93	103	112	108	69
School Administration	-	-	-	-	-	-	-	-	536	573
Business	-	-	-	-	-	-	-	-	1,156	1,121
Central	-	-	-	-	-	-	-	-	184	228
Administrative Support	287	264	58	129	239	249	292	292	-	-
Operation and Maintenance	807	844	779	762	804	737	712	732	-	-
Student Transportation	202	215	196	198	209	256	277	288	-	-
Capital Outlay	20	43	28	33	25	20	16	10	-	-
Debt Service	-	-	-	-	-	-	-	38	57	58
Transfers Out	455	408	419	448	423	438	424	202	142	145
Total Cost per Pupil	\$ 6,513	\$ 6,505	\$ 6,168	\$ 6,353	\$ 6,449	\$ 6,561	\$ 6,917	\$ 7,016	\$ 7,540	\$ 7,602
Percent Change	1.46%	-0.12%	-5.18%	3.00%	1.51%	1.74%	5.43%	1.43%	7.47%	0.82%

¹ During the fiscal year ended June 30, 1995 the Health and Welfare Trust that administers District employee health and welfare insurances offered the District an \$8,000,000 credit on insurance costs. This credit was associated with several years accumulation of excess reserves the Health and Welfare Trust maintained for future District employee benefits. The District had no authority to demand the credit because the Health and Welfare Trust is a separate legal entity governed by an independent Board of Trustees. Since the \$8,000,000 credit was associated with previous years contributions, the District applied this credit to Supporting Services in General Fund.

² During the fiscal year ended June 30, 1998, the General Fund was reimbursed for a total of \$5,000,000 of capital expenditures made in previous years from the proceeds of the 1995 series general obligation bonds. Since the \$5,000,000 represented a reimbursement of previous expenditures, the District applied this credit to Supporting Services in the General Fund.

³ Debt Service was not reported as a separate category prior to the fiscal year ended June 30, 1998.

⁴ Estimated amount from Oregon Department of Education, Update #3

⁵ In 2001 the District converted to the state chart of accounts in order to be consistent with other districts statewide. This change effected the program expense categories.

Source data: School District No. 1, Multnomah County financial statements.

Table II
SCHOOL DISTRICT NO. 1, MULTNOMAH COUNTY OREGON
General Fund Revenues and Other Financing sources by Source
Last Ten Years

Year Ended June 30	Local Sources				State Sources			County and Intermediate Sources
	Total	Property and Other Taxes ¹	Investment Earnings	Miscellaneous ²	Common School Fund	State School Fund	Other	
1993	\$ 326,752,883	\$ 207,484,883	\$ 3,806,807	\$ 8,823,940	\$ 1,364,776	\$ 93,603,330	\$ 64,339	\$ 11,604,808
1994	304,896,947	180,441,261	2,932,120	8,884,578	1,161,137	100,383,716	77,056	11,017,079
1995	311,368,632	151,905,630	4,655,609	10,401,286	897,992	132,743,668	-	10,764,447
1996	305,096,156	112,344,741	3,917,201	7,432,496	1,135,473	169,974,967	-	10,291,278
1997	317,854,918	123,485,381	3,585,108	22,474,589	1,480,940	156,200,559	-	10,628,341
1998	335,626,752	118,269,829	5,090,983	12,845,641	1,164,795	187,369,999	-	10,885,505
1999	338,464,518	132,243,645 ³	3,866,716	14,484,323	1,187,604	175,685,157	-	10,997,073
2000	347,370,484	114,856,725	4,356,712	23,898,153	3,822,492	189,566,900	-	10,869,502
2001	358,120,161	133,083,609	5,957,542	10,171,426	4,096,001	193,991,416	-	10,820,167
2002	357,301,131	141,996,823	2,612,887	7,016,098	1,527,383	193,284,103	-	10,863,837

¹ Uncollected property taxes are not included in revenues at fiscal year end unless they are susceptible to accrual.

² Includes Donations and Contributions, Other Financing Sources, and Other revenues.

³ Includes on time business income tax collections of \$9,562,500.

Source data: School District No. 1, Multnomah County financial statements.

Table III
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Property Tax Levies and Collections
Last Ten Years

Year Ended June 30	Certified Tax Levy	Net Levy after M5/M50 and Adjustments ¹	Current Tax Collections	Current Tax Collections as a Percentage of Current Net Levy	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections as a Percentage of Current Net Levy	Uncollected Taxes	Uncollected Taxes as a Percentage of Current Net Levy
1993	\$ 269,965,059	\$206,986,445	\$ 194,406,615	93.92%	\$ 13,681,910	\$ 208,088,525	100.53%	\$24,081,853	11.63%
1994	286,162,962	176,419,081	168,264,543	95.38%	12,203,855	180,468,398	102.30%	20,066,978	11.37%
1995	303,332,739	148,369,465	140,099,480	94.43%	12,500,764	152,600,244	102.85%	12,638,240	8.52%
1996	321,532,703	111,904,978	105,877,268	94.61%	6,286,948	112,164,216	100.23%	9,242,965	8.26%
1997	359,256,279	143,123,974	135,572,664	94.72%	5,352,572	140,925,236	98.46%	8,800,785	6.15%
1998	390,756,724	146,598,607	140,697,837	95.97%	5,423,155	146,120,992	99.67%	8,401,008	5.73%
1999	153,095,023	149,486,222	141,287,804	94.52%	4,930,898	146,218,702	97.81%	8,394,677	5.62%
2000	161,415,062	157,212,598	148,099,203	94.20%	4,556,493	152,655,696	97.10%	9,429,870	6.00%
2001	186,927,098	176,631,928	166,127,224	94.05%	4,020,418	170,147,642	96.33%	10,804,344	6.12%
2002	195,215,059	185,435,529	174,460,215	94.08%	6,006,907	180,467,122	97.32%	10,290,963	5.55%

Note: Responsibility for the collection of all property taxes within Multnomah County rests with the County Department of Assessment and Taxation. Current taxes are assessed as of July, 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.

² Net levy for Multnomah County only, information for Washington and Clackamas Counties not readily available and considered immaterial.

Source data: Levy amounts from Multnomah County, Tax Supervising and Conservation Commission.
All other information from Multnomah, Washington and Clackamas Counties, Departments of Taxation and Assessment.

Table IV
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Property Tax Revenues by Fund
Last Ten Years

Year Ended June 30	Total ¹	General Fund	General Obligation Bond Debt Service Fund	General Obligation Bond II Debt Service Fund	Bond Sinking Debt Service Fund
1993	\$ 207,484,883	\$ 207,484,883	\$ -	\$ -	\$ -
1994	180,442,261	180,442,261	-	-	-
1995	151,905,630	151,905,630	-	-	-
1996	112,344,741	112,344,741	-	-	-
1997	140,830,071	123,485,381	17,344,690	-	-
1998	146,819,152	118,269,829	28,549,323	-	-
1999	146,232,030	122,681,145	17,508,467	6,042,418	-
2000	153,441,078	114,761,695	16,995,788	9,003,047	12,680,548
2001	170,147,642	132,561,145	25,417,901	- ²	12,168,596
2002	181,309,089	141,996,822	27,144,461	-	12,167,806

¹ Property tax revenue declined in fiscal years 1993-2000 due to a property tax rate limitation passed by Oregon voters in November 1990 with an effective date of July 1, 1991. Property tax revenues increased for the first time since the property tax rate limitation in fiscal year 2001.

² The General Obligation Bond II Debt Service Fund was collapsed into the General Obligation Bond Debt Service Fund effective July 1, 2000.

Source data: School District No. 1, Multnomah County financial statements: Schedule of Property Tax Transactions

Table V
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Comparison of Expenditures, Transfers Out, and Bond Defeasance to Tax Levy
Last Ten Years

General Fund			
Year Ended June 30	Expenditures and Transfers Out	Property Tax Levy	Percent of Property Tax Levy to Expenditures Transfers and Bond Defeasance
1993	\$ 330,583,032	\$ 269,965,059	81.66%
1994	325,964,830	286,162,962	87.79%
1995	304,353,256	303,332,739	99.66%
1996	313,191,845	321,532,703	102.66%
1997	318,259,106	359,256,279	112.88%
1998	323,951,337	117,116,027	36.15%
1999	342,529,394	128,711,288	37.58%
2000	345,901,666	117,523,818 ¹	33.98%
2001	365,305,289	136,663,944	37.41%
2002	366,053,269	144,421,460	39.45%

Bond Sinking Debt Service Fund and General Obligation Bond Debt Service Fund			
Year Ended June 30	Expenditures and Transfers Out	Property Tax Levy	Percent of Property Tax Levy to Expenditures Transfers
1997 ²	\$ 17,767,875	\$ 18,431,614	103.74%
1998	24,793,750	29,482,580	118.91%
1999	23,113,750	24,383,735	105.49%
2000	38,176,261	39,710,388 ¹	104.02%
2001	40,055,651	40,316,174	100.65%
2002	41,869,416	41,733,919	99.68%

¹ The levy amount beginning in 2000 is the net levy after the Measure 5 and Measure 50 property tax limitations.

² Debt Service Funds did not have levies prior to fiscal year 1997.

Source data: School District No. 1, Multnomah County financial statements: Schedule of Property Tax Transactions

Table VI

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Property Tax Rates - Direct and Overlapping Governments
Last Ten Years

Year Ended June 30	Property Tax Rate per \$1,000 of Assessed Value									
	Total	School District No. 1	Multnomah Education Service District	Portland Community College	City of Portland	Multnomah County	Port of Portland	Metropolitan Service District		
1993	22.90	10.95	0.96	0.59	6.31	3.89	0.19	0.21		
1994	20.40	8.78	0.76	0.46	6.30	3.75	0.16	0.19		
1995	17.77	6.58	0.57	0.35	6.19	3.82	0.07	0.19		
1996	15.31	4.39	0.38	0.23	6.14	3.69	0.13	0.35		
1997	15.92	5.05	0.39	0.33	5.74	4.04	0.08	0.29		
1998	19.63	6.67	0.46	0.37	6.78	4.89	0.07	0.39		
1999	14.60	4.77	0.46	0.28	4.58	4.34	0.07	0.10		
2000	14.60	4.77	0.46	0.28	4.58	4.34	0.07	0.10		
2001	14.60	4.77	0.46	0.28	4.58	4.34	0.07	0.10		
2002	14.60	4.77	0.46	0.28	4.58	4.34	0.07	0.10		

Year Ended June 30	Total Taxes Certified							
	Total	School District No. 1	Multnomah Education Service District	Portland Community College	City of Portland	Multnomah County	Port of Portland	Metropolitan Service District
1993	\$ 619,283,959	\$ 269,965,059	\$ 33,777,890	\$ 35,355,770	\$ 148,024,711	\$ 109,663,105	\$ 11,121,818	\$ 11,375,806
1994	656,073,831	286,162,962	35,804,351	37,156,821	156,890,886	118,435,171	10,492,022	11,131,818
1995	688,717,893	303,332,739	37,952,612	39,348,240	165,529,624	125,425,972	5,185,679	11,932,827
1996	756,577,868	321,532,703	40,229,768	42,302,067	182,442,611	134,750,216	9,923,389	25,397,114
1997	829,575,551	359,256,279	42,643,554	44,038,014	190,883,215	162,599,880	7,434,842	22,719,767
1998	897,886,606	390,756,724	45,202,167	46,027,491	199,945,275	182,524,710	6,188,135	27,242,104
1999	610,875,700	153,095,023	18,629,045	19,510,112	186,239,652	192,981,125	6,204,446	26,216,297
2000	634,132,499	161,415,062	17,465,223	21,199,644	205,124,353	197,535,916	6,348,002	25,044,299
2001	692,704,367	186,927,098	18,390,185	23,295,845	219,878,931	210,062,104	6,591,513	27,558,691
2002	727,676,536	195,215,059	19,380,736	36,957,995	223,858,490	217,503,109	6,742,270	28,018,877

Source data: Multnomah County, Tax Supervising and Conservation Commission

Table VII
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Valuation of Taxable Property Within School District No. 1 Boundaries
Last Ten Years

Year Ended June 30	Assessed Valuation			
	Total	Real Property	Personal Property	Public Utility Property
1993 ¹	\$ 18,088,193,300	\$ 16,370,808,445	\$ 927,701,009	\$ 789,683,846
1994	19,275,566,088	17,516,480,609	919,693,734	839,391,745
1995	21,500,430,034	19,751,109,431	921,771,052	827,549,551
1996	24,246,393,871	22,378,472,521	1,028,618,696	839,302,654
1997 ²	26,856,347,066	24,876,971,751	1,106,224,351	873,150,964
1998	22,376,333,121	20,284,046,065	1,197,627,997	894,659,059
1999	24,229,184,394	21,769,942,965	1,464,770,211	994,471,218
2000	25,405,546,175	22,319,499,180	1,750,770,992	1,335,276,003
2001	26,719,188,363	23,489,121,931	1,844,821,053	1,385,245,379
2002	27,988,718,415	24,566,867,585	1,894,362,915	1,527,487,915

¹ Beginning July 1, 1991 the valuation of taxable property changed from true cash value to real market value. Oregon voters passed the property tax rate limitation ballot measure in November 1990.

² 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.

Source data: Multnomah County Department of Taxation and Assessment

Table VIII
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Computation of Legal Debt Margin
June 30, 2002

Real Market Value	\$ 43,036,388,539
Allowable Proportion	0.0795
Debt Limit: 7.95% of Real Market Value ¹	3,421,392,889
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonded Debt	92,175,000
Less: Amount Available in Debt Service Funds	(2,750,148)
Amount of Debt Applicable to Debt Limit:	89,424,852
Legal Debt Margin	\$ 3,331,968,037

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

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

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

Allowable Percentage of Real Market Value:

^A Kindergarten through eighth grade, 9 x .0055	4.95%
^B Ninth through twelfth, 4 x .0075	3.00%
Allowable Percentage	7.95%

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

All other data per School District No. 1, Multnomah County financial statements.

Table IX
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Ratio of Net General Bonded Debt to Real Market Value,
and Net General Bonded Debt per Capita and per Student
Last Ten Years

Year Ended June 30	Population (Estimated)	Average Daily Membership	Real Market Value ¹	Net General Bonded Debt	Ratio of Net General Bonded Debt to Real Market Value	Net General Bonded Debt per Capita	Net General Bonded Debt per Student
1993	404,123	50,703	\$ 18,088,193,300	\$ 107,538,928	0.00595	\$ 266	\$ 2,121
1994	404,123	50,101	19,275,566,088	100,963,928	0.00524	250	2,015
1995	413,571	49,287	21,500,430,034	93,983,928	0.00437	227	1,907
1996	413,571	49,276	24,246,393,871	186,519,500	0.00769	451	3,785
1997	413,571	49,357	26,856,347,066	264,069,500	0.00983	639	5,350
1998	413,571	49,712	29,402,327,828	239,102,604	0.00813	578	4,810
1999	413,571	49,532	31,277,523,213	214,716,422	0.00686	519	4,335
2000	427,037	48,900	36,354,590,972	189,040,000	0.00520	443	3,866
2001	427,037	48,478	38,977,401,805	158,580,000	0.00407	371	3,271
2002	427,037	48,152 ²	43,036,388,539	124,845,000	0.00290	292	2,593

¹ Real market value excludes urban renewal.

² Fiscal year 2002 ADM is estimated amount from Oregon Department of Education, Update #3

Source data: Market value per Multnomah County, Tax Supervising and Conservation Commission.
All other data per School District No. 1, Multnomah County financial statements.

Table X
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
*Ratio of Debt Service Expenditures for General Obligation Bonded Debt
to Total General Fund Expenditures, Transfers Out and Bond Defeasance
Last Ten Years*

Year Ended June 30	Debt Service Expenditures for General Bonded Debt			Total General Fund Expenditures Transfers Out and Bond Defeasance	Ratio of Debt Service Expenditures to Total General Fund Expenditures Transfers Out and Bond Defeasance
	Principal	Interest	Total		
1993	\$ 4,225,000	\$ 7,341,968	\$ 11,566,968	\$ 330,583,032	0.03
1994	6,575,000	6,950,535	13,525,535	325,964,830	0.04
1995	6,980,000	6,439,138	13,419,138	304,353,256	0.04
1996	7,490,000	5,878,373	13,368,373	313,191,845	0.04
1997	19,150,000	15,543,073	34,693,073	318,259,106	0.11
1998	24,255,000	13,664,373	37,919,373	323,951,337	0.12
1999	85,685,000	12,616,174	98,301,174	342,529,394	0.29
2000	27,285,000	10,891,261	38,176,261	345,901,666	0.11
2001	30,460,000	9,595,651	40,055,651	365,305,289	0.11
2002	33,735,000	8,134,416	41,869,416	366,053,269	0.11

Source data: School District No. 1, Multnomah County financial statements.

Table XI
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Schedule of Overlapping Debt
June 30, 2002

<u>Overlapping Government</u>	<u>Percent Within District</u>	<u>Overlapping Gross Bonded Debt</u>
City of Portland	83.0461%	\$ 232,918,104
Multnomah County	69.8073%	99,580,113
Portland Community College	44.6265%	87,839,755
Metro	34.8079%	61,904,936
Tri-Met	34.6340%	37,333,720
Port of Portland	31.9123%	17,473,151
City of Lake Oswego	5.9438%	1,659,806
Tualatin Valley Fire & Rescue District	2.3594%	198,426
City of Beaverton	1.7041%	448,860
Tualatin Hills Park & Rec. District	1.2679%	254,658
Washington County	0.6134%	449,825
City of Milwaukie	0.4216%	13,997
Tualatin Valley Water (Wolf Creek Bond)	0.4064%	18,593
Clackamas County	0.1117%	402
Mt Hood Community College	0.0674%	620
Clackamas County RFPD #1	0.0448%	4,590
Total		<u>\$ 540,099,556</u>

Source data: Oregon State Treasury, Debt Management Division

Table XII
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Enrollment, Average Daily Membership (ADMr and ADMw),
Average Daily Attendance (ADA), and Ratio of ADA to ADMr
Last Ten Years

Year Ended June 30	Enrollment ¹	Average Daily Membership(r) ²	Actual Weighted Average Daily Membership(w) ³	Average Daily Attendance	Ratio of ADA to ADMr
1993	56,942	50,703	4	46,493	0.917
1994	56,606	50,855	60,882	46,657	0.917
1995	56,899	50,175	60,188	45,866	0.914
1996	57,266	50,358	60,602	45,821	0.910
1997	58,022	50,017	60,454	45,545	0.911
1998	56,583	49,713	60,318	45,289	0.911
1999	55,831	49,532	60,298	45,837	0.925
2000	54,746	48,900	59,931	45,457	0.930
2001	54,427	48,478	59,758	45,094	0.930
2002	54,150	48,152 ⁵	58,988 ⁵	45,017	0.935

Ethnic composition for fiscal year 2002:

European-American	33,303	61.50%
African-American	8,916	16.47%
Asian American	5,184	9.57%
Hispanic-American	5,509	10.17%
American Indian	1,238	2.29%
Total	<u>54,150</u>	<u>100.00%</u>

¹ Includes pre-kindergarten, kindergarten and special schools' enrollment

² Resident Average Daily Membership (ADMr) is the average of daily student enrollment for students residing within the district. Some resident students may attend school in another district. Kindergarten students are counted as half-time students.

³ Weighted Average Daily Membership (ADMw) is the Resident Average Daily Membership (ADMr) adjusted to reflect students with special needs. Kindergarten students are counted as half-time students.

⁴ Weighted Average Daily Membership (ADMw) for 1993 not available.

⁵ Estimated amount from Oregon Department of Education, Update #3.

Source data: Enrollment and ADA: School District No. 1, Multnomah County, Budget Department
 ADMr and ADMw: Oregon Department of Education

Table XIII
SCHOOL DISTRICT NO. 1, MULTNOMAH COUNTY OREGON
Property Value, Construction Permits and Bank Deposits
Last Ten Years

Year Ended June 30	Commercial Construction		Residential Construction		Total Construction		Bank Deposits (In Thousands)	Property Value ¹			Total
	Permits	Value	Permits	Value	Permits	Value		Commercial	Residential	Nontaxable	
1993	3,230	\$ 255,190,445	3,424	\$ 100,321,321	6,654	\$ 355,511,766	\$ 11,222,080	\$ 12,335,431,740	\$ 13,191,278,620	\$ 5,950,992,545	\$ 31,477,702,905
1994	3,164	418,699,606	3,891	167,277,220	7,055	585,976,826	8,536,224	12,772,721,149	14,727,419,864	6,351,739,855	33,851,880,868
1995	3,286	387,755,191	3,822	113,779,784	7,108	501,534,975	9,643,531	13,534,313,175	17,177,183,036	7,884,082,103	38,595,576,314
1996	3,069	497,058,470	4,011	132,248,762	7,080	629,307,232	11,414,176	14,891,165,319	19,792,330,932	9,107,427,788	43,790,924,039
1997	3,378	690,910,816	4,343	157,497,045	7,721	848,407,861	14,543,385	16,080,287,251	22,380,650,659	8,841,058,330	47,301,996,240
1998	4,089	778,910,533	4,153	166,479,499	8,242	945,390,032	13,045,877	17,936,991,735	24,330,799,464	2,231,354,618	44,499,145,817
1999	3,746	712,690,707	4,128	164,588,675	7,874	877,289,382	12,942,698	n/a	n/a	n/a	n/a
2000	3,503	685,894,883	4,390	166,029,804	7,893	851,924,687	15,837,718	n/a	n/a	n/a	n/a
2001	3,450	601,434,594	4,968	221,896,644	8,418	823,331,238	13,126,825	n/a	n/a	n/a	n/a
2002	3,300	690,053,211	5,290	283,985,480	8,590	974,038,691	7,922,948	n/a	n/a	n/a	n/a

¹ These values are for all of Multnomah County, which includes School District No. 1

^{n/a} Due to system changes at Multnomah County, fiscal years 1999 through 2002 information was not available at the time of this report.

Source data: Construction information per City of Portland, Building Bureau.
 Bank deposit information per Oregon State, Department of Consumer and Business Services.
 Property values per Multnomah County, Department of Taxation and Assessment.

Table XIV
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Surety Bonds of Principal Officials
June 30, 2002

<u>Titles</u>	<u>Amount of Surety Bond ¹</u>
Superintendent	\$ 350,000
Deputy Clerk - Budget Officer	350,000
All other School District employees	250,000

¹ Each of the listed officials is covered under a Public Employees Blanket Bond for \$250,000 plus an additional \$100,000 under Public Official Bond.

Source data: School District No. 1, Multnomah County, Department of Risk Management

Table XV
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Principal Taxpayers in Multnomah County
June 30, 2002

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Value
Ten Largest Taxpayers			
Qwest Corporation	Telephone Utility	\$ 424,689,138	1.02%
Portland General Electric	Electric Utility	322,105,750	0.77%
Fujitsu Microelectronics	Computer and Electronics	314,477,010	0.75%
Fujitsu Microelectronics, Inc.	Computer and Electronics	299,258,020	0.72%
Pacificcorp	Electric Utility	245,345,100	0.59%
Wacker Siltronic Corp	Computer and Electronics	219,400,294	0.53%
Alaska Airlines, Inc.	Airline	178,410,500	0.43%
Boeing Company	Aircraft Parts	177,582,610	0.43%
United Airlines, Inc.	Airline	144,242,900	0.35%
Northwest Natural Gas Co.	Gas Utility	<u>142,913,390</u>	<u>0.34%</u>
Total of Ten Largest Taxpayers		2,468,424,712	5.91%
All Other Taxpayers		39,270,716,255	94.09%
Total All Taxpayers		<u>\$ 41,739,140,967</u>	<u>100.00%</u>

Source data: Multnomah County, Department of Taxation and Assessment

Table XVI
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Miscellaneous Statistics
June 30, 2002

Portland Public Schools:

Date of incorporation	December 15, 1851
Date of consolidation	March 31, 1856
Form of government	Quasi corporation
Area - square miles	145.6
Area - physical plants - acres	854.72
Number of facilities:	
Primary and elementary	63
Intermediate and middle	17
Secondary	10
Alternative, special administrative, support, and holding facilities	25
Total number of facilities:	<u>115</u>

School District Community:

Population:

Census population count from last six censuses:	<u>Total</u>
1950	373,628
1960	372,676
1970	382,619
1980	373,409
1990	404,123
2000	427,037

Age distribution of population from last four censuses:	<u>Percentage</u>	<u>Percentage</u>	<u>Percentage</u>
	<u>Under 18</u>	<u>18-65</u>	<u>Over 65</u>
1970	28%	57%	15%
1980	26%	61%	13%
1990	22%	64%	14%
2000	20%	69%	11%

Elections:

Registered voters in Multnomah County:	<u>Total</u>
June 30, 1998	382,051
June 30, 1999	378,210
June 30, 2000	341,210
June 30, 2001	365,596
June 30, 2002	356,211
Percentage decrease from 2001 to 2002	-2.6%
Votes cast last general election (November 7, 2000)	300,065
Percent of registered voters voting	78.2%

Source data: Demographic and general information per School District No. 1, Multnomah County, Budget Department.
Population and income information per Portland State University, Population Research Department.

Table XVI
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Miscellaneous Statistics, continued
June 30, 2002

Economics:

Property valuations:

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

Income level for a family of four, census years in which data is available:	<u>Median (family)</u>
1960	\$ 6,872
1970	10,463
1980	20,250
1990	38,723
1995	34,533
2000	51,118

Source data: Demographic and general information per School District No. 1, Multnomah County, Budget Department.
 Population and income information per Portland State University, Population Research Department.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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November 27, 2002

2001-2002 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000 (the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy) enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows.

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of School District No. 1, Multnomah County, Oregon, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 27, 2002 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of School District No. 1, Multnomah County, Oregon, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of School District No. 1, Multnomah County, Oregon, for the year ended June 30, 2002, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

2001-2002 AUDITORS' COMMENTS AND DISCLOSURES (Continued)

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the State of Oregon, Secretary of State, Audits Division. However, this report is a matter of public record and its distribution is not limited.

ACCOUNTING RECORDS

The District's accounting records were adequate to meet the District's financial accounting requirements.

BUDGET TRANSACTIONS

Expenditures of the various funds were within authorized appropriations except for the amounts expended over appropriations noted in a note to the financial statements. Additionally, several funds had deficit fund balances at June 30, 2002, in violation of Oregon Local Budget Law.

2001-2002 and 2002-2003 BUDGETS

The budgets adopted by the District for the years ended June 30, 2002 and ending June 30, 2003, were reviewed during the audit. It appeared that budget preparation and adoption procedures followed by the District were in compliance with the Oregon Local Budget Law. However, certain expenditures over appropriations occurred in the year ended June 30, 2002 as delineated in a note to the financial statements. Also, included in that note, several funds have negative ending fund balances.

COLLATERAL SECURING BANK DEPOSITS

Based on our selective testing, collateral pledged by the depositories appeared to be adequate at all times during the year to meet requirements of Oregon Law. Each depository is required by ORS Chapter 295 to maintain securities having a value of not less than 25% of the face amount of the collateral certificate issued by the pool manager, for funds deposited in the depository in excess of the amounts insured by the Federal Deposit Insurance Corporation. Deposits in the State Local Government Investment Pool and deferred compensation account are not required to be collateralized.

INVESTMENTS

The District's investments held during the year ending June 30, 2002, were reviewed and appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

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

INSURANCE AND FIDELITY BONDS

Details concerning insurance and fidelity bond coverage were reviewed during the audit. The coverage provided appears to meet legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

STATUTORY BONDED DEBT LIMITATION

The District's statutory bonded debt limitation was not exceeded during the fiscal year 2001-2002. The debt outstanding appeared to be within this limit.

OUTSTANDING WARRANTS

The District had no outstanding endorsed warrants at June 30, 2002.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. Our reports concerning federal grant compliance, and a schedule of expenditures of federal awards, are contained in a separate report related to the requirements of the Single Audit Act.

STATE SCHOOL FUND DISTRIBUTION INFORMATION

We have performed the procedures recommended by the Oregon Secretary of State, Audits Division, regarding the District's compliance with the requirements of ORS 327.013 as further defined by the Oregon State Department of Education pertaining to the District's calculations and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2002.

Based on the work described above, we have found no instances where the District did not comply with the rules and regulations pertaining to the District's calculation and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2002.

Savely, Rogers and Co., P.C.