

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Comprehensive Annual Financial Report
For the Year Ended June 30, 2005

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PORTLAND PUBLIC SCHOOLS

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Vicki L. Phillips
Superintendent

OFFICE OF THE SUPERINTENDENT

November 28, 2005

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, 2005.

These statutes require that Portland Public Schools issue an annual 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 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). Our internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. The internal control structure is subject to periodic evaluation by management. We believe our internal control structure adequately safeguards the assets and provides reasonable assurance of proper recording of all financial transactions. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Financial Statement Presentation

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

The **Introductory Section** includes the table of contents, this transmittal letter, the District's organizational chart, and copies of certificates awarded for Portland Public Schools' 2004 CAFR.

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

The **Statistical Section** includes selected financial and demographic information, generally presented on a multi-year basis. This CAFR marks the first year for implementation of GASB Statement No. 44, resulting in new schedules designed to improve the understandability and usefulness of the information presented in the statistical section.

The **Auditors' Comments and Disclosures Section** contains disclosures 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 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, 2005, and their unqualified Independent Auditors' Report is presented as the first component of the financial section of this report.

The Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 require state and local governments that expend \$500,000 or more in federal assistance in a year have a special form of audit conducted for that year. For the seventeenth consecutive fiscal year, Portland Public Schools has issued a separate report on these requirements and the requirements of the implementing circular, 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 the MD&A and should be read in conjunction with it. The Portland Public Schools' MD&A can be found immediately following the Independent Auditors' Report.

Profile of the District

Established in 1851, Portland Public Schools is the largest and oldest 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 covers an area over 145 square miles and has a population in excess of 400,000 including portions of the cities of Portland (pop. 533,492), Lake Oswego (pop. 36,368), and Milwaukie (pop. 20,755). The District maintains 106 facilities with a total floor area in excess of 9.5 million square feet.

Student enrollment at October 31, 2004 was 47,656. Enrollment counts are compiled on or about the first of October. An enrolled student is defined as a student who attends one or more schools or programs within the District. Regardless of the number of schools or programs attended, each student is counted only once; the counts are unduplicated.

October 2004 Portland Public Schools Student Enrollment			
Program Type	Number of Programs	Enrollment	Enrollment Distribution
Regular Schools and Programs			
Elementary Schools	59	21,505	45%
Middle Schools	17	9,406	20%
High Schools	18	12,683	26%
Total Regular Schools & Programs	94	43,594	91%
Magnet/Special Focus Programs	8	1,878	4%
Total Regular & Special Focus Programs	102	45,472	95%
Community-Based Programs	22	1,171	2%
Special Education Programs	17	562	1%
Public Charter Programs	5	451	1%
Total Programs and Enrollment	146	47,656	100%

Source: PPS; Enrollment Summaries, October 2004

Since 1997 the District has experienced constant yearly decreases in enrollments. Based on enrollment counts in October 2004, total enrollment declined by 1,200 students. Based on the number of births, modest net out-migration of students, and fairly constant proportion of school-age children enrolling in Portland Public Schools, a decrease of 1,200 students indicates that there has probably not been a major change in the current demographic situation nor in the interest of most parents to enroll their children in our schools. We anticipate that Portland Public Schools enrollments will decrease annually by about 400 to 800 students over the next few years. We expect that – unless the situation changes greatly Portland Public Schools enrollments will level off at about 44,000 students by 2010.

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

Under Oregon State law, school districts are independent municipal corporations empowered to provide elementary and secondary educational services for the children residing within its boundaries. The District discharges this responsibility by building, operating, and maintaining school facilities, developing and maintaining approved educational programs and courses of study, including 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 of the District. The District has five charter schools, technically component units, which are immaterial to District operations and thus not included as component units. The pass-through State School Fund amounts for these charter schools are included as expenditures within the instructional program of the General Fund. The District is not 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

- In a show of overwhelming support for K-12 public education, the voters in Multnomah County approved a three-year temporary local income tax in May 2003. During the 2003-04 and the 2004-05 school years, these first two years of the income tax generated \$36.5 million and \$47.8 million of new revenue for the District, respectively. In accordance with the ballot measure, 70% of the income tax proceeds are divided equally on a per pupil basis among the eight school districts in Multnomah County. The remaining 30% of the tax proceeds is targeted for County programs in senior services, public safety, and healthcare. County income tax proceeds represent approximately 9.6% of the General Fund revenues. The District used the money to maintain a full school year, to retain over 600 teaching positions, to maintain class size, and to continue athletics, professional technical education, in-school alternative education programs, and outdoor school, among other special programs. The ballot measure also created the School Efficiency and Quality Advisory Council (www.seacinfo.org) to provide oversight. The County Auditor's Office, along with the City of Portland Auditor's Office, perform certain auditing procedures and issue reports to the community (www.multnomahschools.org). Reports can be viewed at the web sites indicated. The voters reaffirmed their support for this temporary income tax when they defeated a repeal measure in November 2004.

- 2004-05 marked the first year the District has been under the leadership of Dr. Vicki L. Phillips, who became Superintendent on August 1, 2005. During this year, student achievement rose significantly for Portland Public Schools students at every level. The percentage of students meeting benchmarks for reading and math showed the largest year-to-year gains since the federal No Child Left Behind Act of 2001 took effect.

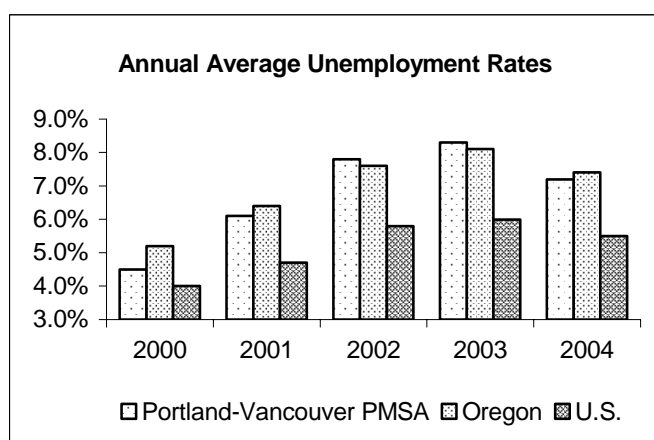
Grade Level	English/Language Arts	Math
Elementary	72.0% met standards up 4.8 percentage points	87.8% met standards up 15.3 percentage points (partially due to elimination of the problem-solving test)
Middle	59.7% met standards up 5.9 percentage points	68.7% met standards up 15.6 percentage points (partially due to elimination of the problem-solving test)
High	59.7% met standards up 5.9 percentage points	50.4% met standards up 3.0 percentage points (the problem-solving test was eliminated in 2003-04)

- Another indicator of student achievement is the state report cards issued by the Oregon Department of Education. Overall, almost two-thirds of our schools that were rated achieved a “strong” or “exceptional” rating, far higher than the state average. For 2004-05, 17 schools moved up in the ratings, while 8 schools slipped a notch (some by the thinnest margins).
- Three high schools, Marshall, Roosevelt and Jefferson, successfully implemented a conversion to the small learning community model in the 2004-2005 school year. The purpose of these smaller learning communities is to know each student well in order to personalize his or her education. This approach to high school reform is based on proven research regarding smaller learning communities and achievement.
- Superintendent Phillips instituted an annual Enrollment Data Analysis process as a data-based framework for making decisions regarding updating school attendance boundaries; starting, relocating, expanding or closing an educational program; starting a new school or consolidating existing schools and closing a building; or restructuring the delivery of effective instruction. This process led to the decision to close five neighborhood elementary schools (Applegate, Edwards, Kenton, Smith, and Richmond) and one middle school (Whitaker) and expand certain schools from PK-5 to PK-6 (Beach, Chief Joseph, Faubion, Humboldt, King, Vernon, and Woodlawn). In addition, a task force of District staff and community members was formed to evaluate all the schools in the Jefferson High School Cluster.
- The Board of Education established an internal performance auditor position for the District, reporting directly to the Board to enhance accountability and ensure independence. The internal performance auditor assists the Board in its oversight responsibilities to ensure that tax dollars are effectively utilized. Internal audits focus on the quality, effectiveness and efficiency of operational and organizational performance.

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 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 (13%) 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 76% of manufacturing employment.



Employment by Industry – June 2005

Education, Health Services, & Hospitality	21%
Trade, Transportation, & Utilities	20%
Professional, Business & Other Services	17%
Government	14%
Manufacturing	13%
Information, Financial & Real Estate	9%
Construction & Mining	6%

Along with the entire state, the job growth in the Portland metro area is predicted to be slower in the next 10 years than it was in the previous decade. The area’s projected growth rate for the period between 2004 and 2014 is 16%, slightly greater than statewide projections of 15%.

In 2004, Portland’s average annual unemployment rate was 7.2%, compared to 7.4% for the State and 5.5% for the nation.

The local economic outlook is improving with over three percentage points drop from June 2003’s record high rate of 9.5% to June 2005’s 6.3%. Over the last two years, all major

industries added jobs, except financial activities. In June 2005, construction, leisure and hospitality, government, and educational and health services reached all-time high employment levels.

Long term financial planning. On March 14, 2005, the Board of Education unanimously decided not to ask Portland voters in May to renew two property tax measures that expired in June 2005: the local option property tax that pays for operations and the capital bond levy that pays for much needed building repairs. The local option property tax is a five-year levy that would generate about \$33 million per year. Capital bond levies are typically sized to provide \$20 to \$30 million per year for such projects as roof replacements, boiler upgrades, new pipe installations, and electrical upgrades, among others, which are critical, since the average age of the school buildings in Portland Public Schools is over 60 years old. This difficult decision was based on indications from business and union leaders, campaign strategists, parents and community organizations that any property tax measure would fail. Passing such an authorization would require a double majority (over 50% of registered voters voting, with over 50% of those who vote approving unless the election is held in November of an even-numbered year). Portland saw a 20% upsurge in voter registration in the fall of 2004, mainly due to the presidential election. To expect 50% of voters to turn out in May and vote on school’s local tax measures was deemed virtually impossible. Furthermore, since the Oregon Legislature passed a K-12 budget for the next two years that falls far short of the level needed to maintain current service levels, the Board of Education is diligently pursuing other possible local funding solutions to present to voters in the May 2006 election.

Cash management. Temporary excess cash throughout the year is invested in short-term instruments. As of June 30, 2005 investments are primarily in collateralized time deposits, commercial paper, and securities guaranteed by the U.S. Government and its agencies and approved the State Treasurer in accordance with Oregon revised Statutes 294.035 and 294.046. The District also places temporary excess cash with the State of Oregon Local Government Investment Pool. The District has historically administered a conservative cash management program with its major objectives being:

- 1) To preserve the safety of District investment principal.
- 2) To maintain sufficient daily operating cash (liquidity) to pay District obligations when due, while maximizing the amount of monies invested.
- 3) To earn the maximum return on cash invested (yield), consistent with applicable federal and state laws, and District policies and regulations.
- 4) To inform the Board of Education on both the status of investments and the overall cash management program of the District.

The District's investment policy requires third-party safekeeping on a delivery versus payment basis on all investments except overnight investments. Investment income realized within the General Fund for the year ended June 30, 2005 was \$2.4 million, compared to \$1.7 million earned in fiscal year 2003-2004, reflecting improving interest rates for the year.

Risk management is vital to controlling property, casualty and workers' compensation losses through the coordination of safety, loss prevention, insurance, and claims administration. The District administers a single Self-Insurance Fund through a Risk Management Department responsible for negotiation and payment of a majority of all workers' compensation claims, general liability claims and judgments, and property/fire loss claims. Resources are derived from charges for services to other funds, investment earnings, and insurance recoveries. Based upon an actuarial study completed as of June 30, 2005, claim reserves for June 30, 2005 are approximately \$4.8 million.

Awards and Acknowledgements

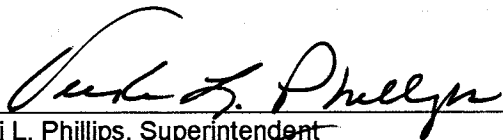
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the 25th consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for this coveted Certificate.

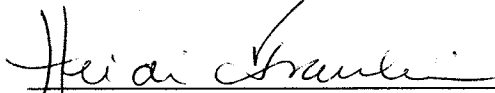
The Association of School Business Officials International (ASBO) awarded its Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the 25th consecutive year that the District earned this significant award. Receiving the Award is recognition that the District has met the highest standards of excellence in school financial reporting as adopted by ASBO. The District believes that this 2005 CAFR, which will be submitted to ASBO for review, will also conform to these standards.

We wish to express our appreciation to our Controller, Janet Frank, 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, CPA, and the Pauly, Rogers staff for their 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,



Vicki L. Phillips, Superintendent



Heidi B. Franklin, CPA, Chief Financial Officer

SCHOOL DISTRICT NO. 1, MULTNOMAH COUNTY, OREGON
Principal Officials
At June 30, 2005

BOARD OF EDUCATION

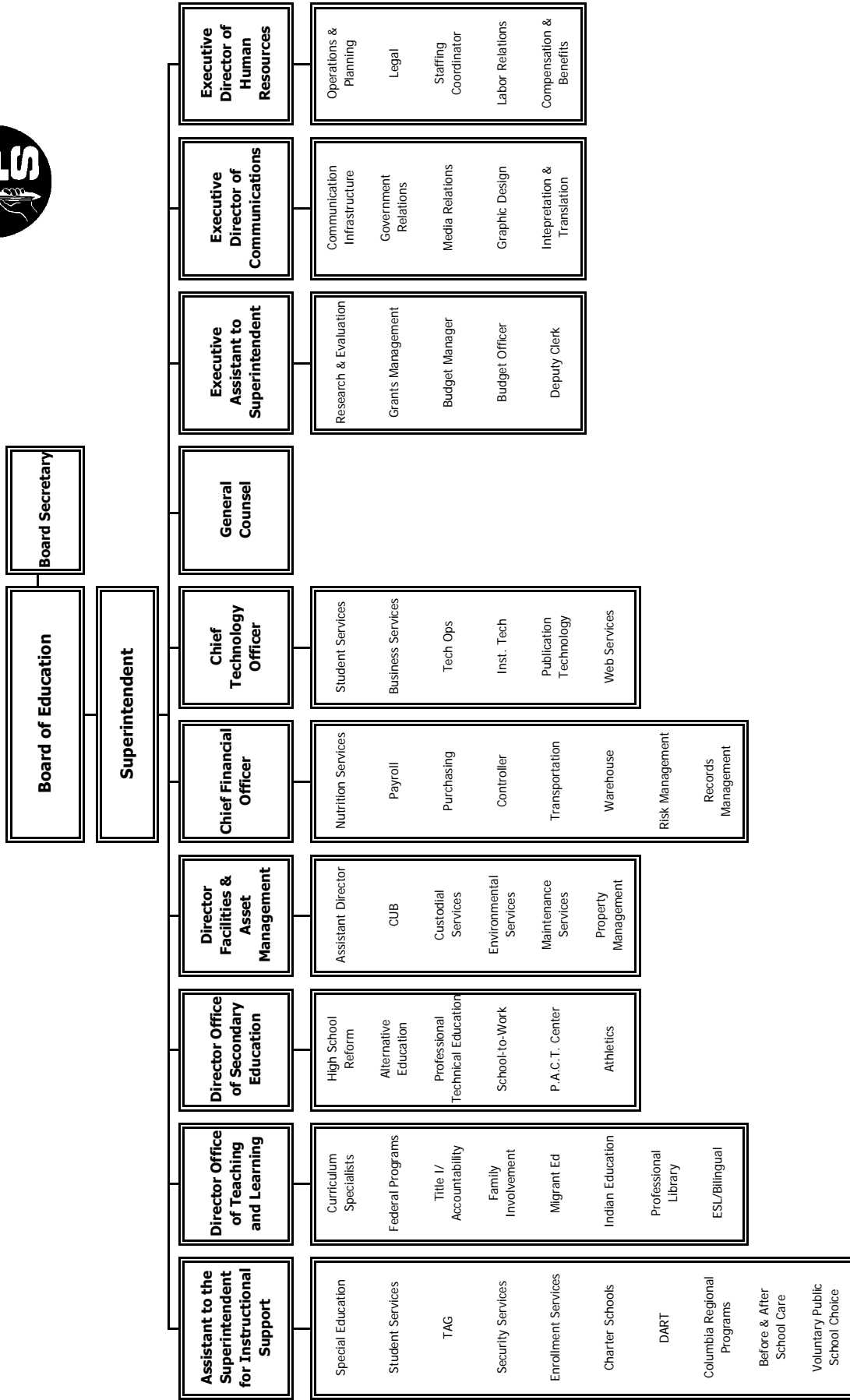
<u>Member</u>	<u>Term Expires</u>	<u>Address</u>
Julia Brim-Edwards	June 30, 2005	6666 SE Yamhill St., Portland, OR 97215
Derry Jackson	June 30, 2005	6816 N Trumball St #10., Portland, OR 97203
Lorenzo Poe	June 30, 2005	5932 NE Fremont Ave., Portland, OR 97218
Douglas Morgan	June 30, 2007	707 SW Dolph St., Portland, OR 97219
Bobbie Regan	June 30, 2007	1907 NW Mill Pond Rd., Portland, OR 97229
Dilafruz Williams	June 30, 2007	4207 SE Rex St., Portland, OR 97206
David Wynde	June 30, 2007	2332 NE 9 th Ave., Portland, OR 97212

ADMINISTRATIVE STAFF

Dr. Vicki L. Phillips, Ph.D.Superintendent
Heidi B. Franklin, CPA Chief Financial Officer
Jollee Patterson General Counsel

Portland Public Schools Organization Chart

June 30, 2005



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, 2004

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.



Nancy L. Zjelke

President

Jeffrey R. Enen

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

School District No. 1 Multnomah County

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2004

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

A handwritten signature in cursive script, appearing to read 'Jason Timbark'.

President

A handwritten signature in cursive script, appearing to read 'Anne W. Miller'.

Executive Director



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

November 23, 2005

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate fund information of the School District No. 1, Multnomah County, Oregon as of and for the year ended June 30, 2005, which collectively comprise the district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 1, Multnomah County, Oregon, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated, November 23, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis commencing on page 2 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The required supplementary information, other than management's discussion and analysis, which consists of the budgetary comparison information for the General Fund and each major special revenue fund, and the accompanying supplementary information indicated in the table of contents, are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such required supplementary information and supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. Other supplementary information, other than management's discussion and analysis, such as the introductory section and the statistical section, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pauly, Rogers and Co., P.C.

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, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

Financial Highlights

- ◆ The net assets of Portland Public Schools in the government-wide financial statements were \$260,440,796. Of this amount, \$189,650,919 was invested in capital assets, net of related debt and the remainder, \$70,789,877, is technically considered unreserved, but the District has \$7,381,496 committed to debt-financed programs.
- ◆ At June 30, 2005, the General Fund had an unreserved fund balance of \$31.8 million, an increase of \$18.6 million from June 30, 2004. This increase is attributable to the District's efforts to hold down costs and build reserves to prepare for the expiration of certain tax revenues in the future. Revenues were higher than anticipated due to the non-recurring proceeds from the sale of assets and a one-time refund from the Health and Welfare Trust.
- ◆ The District incurred no new debt in the current year and was able to pay off the General Obligation Bond Series 1996.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Portland Public Schools' basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains 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 and 13 of this report.

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial

statements, governmental fund financial statements focus on *near-term* inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term 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 designates three major governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Grant Fund, and the PERS Rate Stabilization Reserve Fund, all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 14-16 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 various functions. The District uses an internal service fund to account for its Self-Insurance activities. Because Portland Public Schools has no business-type functions, this service benefits governmental functions and has been included within the governmental activities in the governmental-wide financial statements.

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

The basic internal service fund financial statements can be found on pages 17-19 of this report

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20-36 of this report.

Required Supplementary Information (RSI) is located directly after the notes to the basic financial statements and represent the required comparison of the budget and actual results on the District's budgetary basis for the General Fund and the Grant Fund. This information is on pages 37-42.

The **Combining Statements** referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 43-52 of this report.

Government-Wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of Portland Public Schools, assets exceeded liabilities by \$260,440,796 at the close of the most recent fiscal year.

	<u>Governmental Activities</u>		<u>Change</u>
	2004	2005	2004-2005
Assets			
Current and other assets	\$ 142,480,484	\$ 161,328,392	13.2%
Prepaid PERS unfunded actuarial liability	486,071,587	485,029,169	-0.2%
Net capital assets	<u>224,098,220</u>	<u>216,757,810</u>	-3.3%
Total Assets	<u>852,650,291</u>	<u>863,115,371</u>	1.2%
Liabilities			
Non PERS related long-term debt outstanding	79,987,337	37,906,891	-52.6%
PERS unfunded actuarial liability debt outstanding	490,727,875	489,685,459	-0.2%
Other liabilities	<u>75,478,168</u>	<u>75,082,225</u>	-0.5%
Total Liabilities	<u>646,193,380</u>	<u>602,674,575</u>	-6.7%
Net Assets			
Invested in capital assets, net of related debt	156,010,883	189,650,919	21.6%
Unrestricted	<u>50,446,028</u>	<u>70,789,877</u>	40.3%
Total Net Assets	<u>\$ 206,456,911</u>	<u>\$ 260,440,796</u>	26.1%

By far the largest portion of the District's net assets (73%) 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. During the current fiscal year the District's net assets increased by \$53,983,885, which resulted from the reduction in long-term debt of \$43.1 million and an increase in State School Fund revenue of \$ 7.4 million due to the State's reconciliation of prior year amounts. In addition, the District benefited from the sales proceeds of two former school sites (Glenhaven and Washington High School) totaling \$7.5 million and the \$1.1 million prepayment on the note receivable for the sale of the KBPS FM Radio Station. Increased interest earnings and a one-time refund from the Health & Welfare Trust added another \$4.2 million. Furthermore, the District continued its aggressive efforts to realize savings from cost cutting measures.

The revenues and expenses shown below outline changes in net assets for the fiscal years 2004 and 2005.

Changes in Net Assets	Governmental Activities		% of	Change
	2004	2005	Total	2004-2005
Revenues				
Program Revenues				
Charges for services	\$ 9,650,171	\$ 9,476,938	1.8%	-1.8%
Operating grants and contributions	69,603,337	78,702,180	15.1%	13.1%
Total Program Revenues	<u>79,253,508</u>	<u>88,179,118</u>	<u>16.9%</u>	<u>11.3%</u>
General Revenues				
Property taxes	198,020,926	204,428,691	39.2%	3.2%
State school fund	183,619,106	148,012,565	28.4%	-19.4%
Common school fund	1,251,379	3,783,920	0.7%	202.4%
County and intermediate sources	50,805,630	59,733,548	11.5%	17.6%
Investment earnings	1,786,274	3,091,245	0.6%	73.1%
Other	6,383,011	8,492,966	1.6%	33.1%
Gain on disposal of fixed assets	5,492,841	5,786,238	1.1%	5.3%
Total General Revenues	<u>447,359,167</u>	<u>433,329,173</u>	<u>83.1%</u>	<u>-3.1%</u>
Total Revenues	<u>526,612,675</u>	<u>521,508,291</u>	<u>100.0%</u>	<u>-1.0%</u>
Expenses				
Instruction	264,429,734	278,166,226	59.5%	5.2%
Supporting services	160,120,687	167,788,692	35.9%	4.8%
Enterprise and community services	13,734,717	15,424,600	3.3%	12.3%
Non-capital facilities maintenance & replacement	9,177,488	2,225,437	0.5%	-75.8%
Interest on long-term debt	5,381,506	3,919,451	0.8%	-27.2%
Total Expenses	<u>452,844,132</u>	<u>467,524,406</u>	<u>100.0%</u>	<u>3.2%</u>
Increase in net assets	73,768,543	53,983,885	20.7%	-26.8%
Net assets - beginning	132,688,368	206,456,911	79.3%	55.6%
Net assets - ending	<u>\$ 206,456,911</u>	<u>\$ 260,440,796</u>	<u>100.0%</u>	<u>26.1%</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 82.5% of the funding required for governmental programs. Property taxes and State school fund combined account for 68.3% of general revenues and 72.5% of total revenues.

Charges for services are only 1.8% 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.	\$ 3,949,534
◆ Tuition is charged for all-day kindergarten, evening high school, out-of-district students, summer school, and driver's education.	2,646,931
◆ Facilities leverages District buildings by leasing and renting classrooms, gymnasiums, swimming pools, auditoriums, and entire vacant buildings.	1,855,014
◆ Athletics charges pay-to-play fees and sells tickets to events and games.	641,988
◆ Other sales, royalties, and events generate revenue, including commission on exclusive beverage contract.	<u>383,471</u>
Total Charges for Services:	<u>\$ 9,476,938</u>

Operating grants and contributions represent 15.4% of total revenues. Included in this category are \$9.3 million for federal reimbursement under the school lunch program and \$6.9 million raised or donated by student body activities. Federal and state grants for designated programs totaled \$59.6 million.

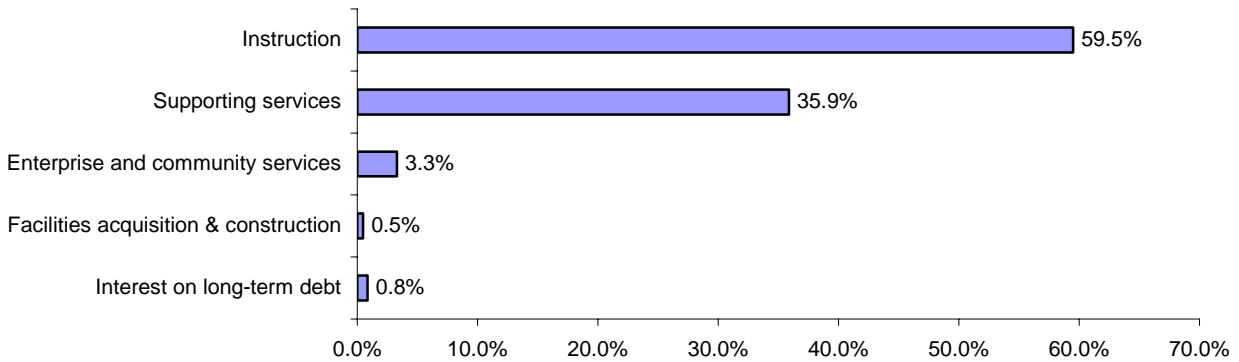
Expenses. Expenses related to governmental activities are presented in five broad functional categories. Costs of direct classroom instruction activities account for 59.5% of the total expenses of \$467,524,406. In addition, 35.9% of the costs in supporting services relate to students, instructional staff and school administration.

Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Revenue (Expense)		Percentage
	2004	2005	Change	2004	2005	Change
Instruction	\$ 264,429,734	\$ 278,166,226	5.2%	\$ (220,323,681)	\$ (230,501,587)	4.6%
Supporting services	160,120,687	167,788,692	4.8%	(139,918,454)	(142,352,149)	1.7%
Enterprise and community services	13,734,717	15,424,600	12.3%	1,210,505	(346,664)	-128.6%
Non-capital facilities maintenance & replacement	9,177,488	2,225,437	-75.8% *	(9,177,488)	(2,225,437)	-75.8%
Interest on long-term debt	5,381,506	3,919,451	-27.2%	(5,381,506)	(3,919,451)	-27.2%
Total	\$ 452,844,132	\$ 467,524,406	3.2%	\$ (373,590,624)	\$ (379,345,288)	1.5%

* Presentation change in 2005

Expenses by Service Type Fiscal Year 2005



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.

General Fund. The General Fund is the main operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$31,836,517, which was an increase of \$18,645,563. Key factors in this growth are as follows:

- ◆ The Board of Education is strongly committed to financial accountability and acknowledges that establishing and maintaining adequate reserves is a critical component of prudent financial management. The Board chose to build reserves to prepare for the transition anticipated as the local option property tax and the capital bonds expired in June 2005 and the temporary County income tax will expire in June 2006.
- ◆ State revenue and the Multnomah County Income Tax: The Multnomah County Income Tax ("ITAX") is a temporary three-year tax passed by the voters to allow time for the State legislature to address needs for adequate and stable funding for K-12 education. The actual ITAX collections totaled \$47.8 million. The State adjusted its payments under the State School Funding Formula to distribute \$7.4 million due to prior year reconciliations.
- ◆ City of Portland revenue: The City of Portland again provided tangible support to the District by providing \$4 million per year for three years beginning in 2003-04 generated through increases in business license fees.
- ◆ District revenue: One-time proceeds from the sale of assets included \$7.5 million from Glenhaven and Washington High School and \$1.1 million prepayment on the note receivable from the sale of KBPS FM Radio Station. In addition, the Health & Welfare Trust refunded \$2.4 million of its excess reserves to the District.

The District is also committed to efficient, effective operations and has undertaken many initiatives to streamline business processes and reduce on-going costs. Highlights of successful efforts include:

- ◆ Working closely with our unions to control health care costs. The Portland Association of Teachers (PAT) agreed to a premium cost sharing with their members paying 6% of the monthly premium beginning September 1, 2004, and reduced health benefits by \$75 per member per month effective February 1, 2005. The Portland Federation of Teachers and Classified Employees (PFTCE) agreed to a cap of \$694 per member per month on the District's contribution through January 2005, increasing to \$764 on February 1, 2005. The members of the SEIU and all non-represented employees agreed to a cap of \$756 per employee per month. The District Council of Unions (DCU) contract expired on June 30, 2004, and is still in negotiation.
- ◆ Support Services departments absorbed most inflationary cost increases, including contracted bus services, IT-related maintenance contracts, a full bus replacement cycle, and functions previously funded by the now-depleted IT capital funds.
- ◆ Central Academic Support Team is a cross-organizational team composed of academic and academic support offices to help coordinate with each other and building administrators to remove barriers to student achievement and support schools and programs. The participating offices relied on internal cost shifting among departments to absorb cost increases in services and supplies, as well as undertake such new initiatives as hiring a student discipline coordinator and creating an office of school choice.

Grant Fund. Of the \$61 million in federal and state grants received in 2004-05, \$20.2 million represents funding for Title I and other Title funds targeted to provide additional services to students disadvantaged by poverty, to support migrant education, innovative programs, and safe and drug-free schools. Another approximately \$7.7 million was received for special education. Head Start, National Science Foundation, Voluntary Public School Choice, and Carl Perkins Grants (alternative education) also provide significant funding to their respective programs.

PERS Rate Stabilization Reserve Fund. The PERS Rate Stabilization Reserve Fund was established to achieve several objectives: (1) to help minimize large fluctuations in the PERS rate assessed on salaries and wages to repay the PERS unfunded actuarial liability borrowing relative to the District's participation in the Oregon School Boards Association Pension Bond Program; (2) to provide prudent reserves to mitigate the investment risk inherent in the PERS system; and (3) to set aside and not spend all the savings generated by legislative reforms in the PERS pension plans, pending the outcome of the related Supreme Court case on the constitutionality of the changes. The \$20.8 million balance at June 30, 2005, was established through transfers from the General Fund. The Supreme Court upheld most of the legislative changes and reversed others. The PERS established rate for school districts for 2003-2005 was 11.11%, whereas the District's combined rate for PERS (0.64%) and debt service on the pension bonds (7.8%) was 8.44%.

General Fund Budgetary Highlights

The budget was adjusted during the year to react to changing resources, primarily, declines in state funding. The changes can be briefly summarized as follows:

- ◆ The original budget was adjusted by moving \$3.7 million from contingency and adding \$1.8 million to Instruction and \$1.9 million to Support Services, reflecting decisions by the Board to maintain or enhance programs in the schools.
- ◆ Actual revenues exceeded the final budgeted revenues by a net \$11.2 million. This is primarily attributable to an increase under the State School Fund of \$9.5 million due to prior year reconciliations. There was also a one-time refund from the Health & Welfare Trust of \$2.4 million and interest revenue exceeded budget by \$1.7 million, as interest rates again began to rise after being at historical lows. These gains were offset by the Multnomah County Income Tax collections falling short of budgeted amounts by \$2.3 million.
- ◆ Sales proceeds from the disposition of fixed assets are typically not budgeted. The sale of Glenhaven and Washington High School occurred in this fiscal year.
- ◆ Actual expenditures were \$12.4 million less than final budget. \$3.2 million is attributable to salaries and benefits, which are underspent by 0.8% of budget. Charter Schools spent \$1 million less than budgeted due to an approved charter delaying opening after the budget was adopted and other charters having lower enrollment than forecast. Tuition to private and other schools was reduced by \$2.3 million as students were placed in district programs. Revised contingency of \$7.9 million remained unspent and became part of the ending fund balance. Savings were offset by increased costs in utilities, costs related to the disposition of assets, and professional service contracts.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets includes land, building and improvements, vehicles and equipment, and construction in progress. As of June 30, 2005, the District had invested \$216.8 million in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of accumulated depreciation)	Total School District		Percentage Change
	Governmental Activities		
	2004	2005	2004-2005
Land	\$ 9,049,378	\$ 8,774,770	-3.0%
Buildings	185,925,208	186,388,732	0.2%
Vehicles & Equipment	15,651,716	18,602,689	18.9%
Construction in Progress	13,471,918	2,991,619	-77.8%
Total	\$ 224,098,220	\$ 216,757,810	-3.3%

During the year 2004-05, the District's investment in capital assets decreased by \$7.3 million. This was due to current depreciation of \$ 14.5 million exceeding new additions of \$9 million, less disposals of \$5.2 million in assets plus \$3.4 million in related accumulated depreciation. 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 cost of \$8.1 million to buildings and site improvements. Construction in progress as of the close of fiscal year had reached \$3.0 million.
- ◆ During the year \$5.2 million of capital assets were disposed, which included two former school sites (Glenhaven and Washington High School) as well as the Benson House. The accumulated depreciation related to these assets was \$3.4 million.

Additional information on the District's capital assets can be found in Note 7 on page 28 of this report.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$527,592,350. Of this amount, \$500,485,459 represents limited tax obligation debt, and \$27,106,891 comprises debt backed by the full faith and credit of the District. The District's total debt decreased by \$43,122,862 during the current fiscal year.

Outstanding Long-Term Debt	Total School District		Percentage Change 2004-2005
	Governmental Activities		
	2004	2005	
General obligation bonds	\$ 34,675,000	\$ -	-100.0%
PERS limited tax general obligation bonds	490,727,875	489,685,459	-0.2%
Other long-term debt	45,312,337	37,906,891	-16.3%
Total	\$ 570,715,212	\$ 527,592,350	-7.6%

In May 2004 the District issued Full Faith and Credit Refunding Bonds, Series 2004, in the principal aggregate amount of \$11,900,000. The proceeds were used to refund the Limited Tax General Obligation Refunding Bonds, Series 1998. The 1998 Bonds were designated by the District as "gap bonds" when Measure 50 (Article XI, Section 11 of the Oregon Constitution) was implemented. That designation allowed the District to avoid reductions in the portion of its levy that paid the 1998 Bonds, in exchange for accepting a lower operating tax rate limit. Initially this designation benefited the District by giving it more tax revenues to pay costs of public education.

Measure 50 and its implementing legislation allow the District to refund the 1998 Bonds and not designate the Refunding Bonds as gap bonds. When the District did this, its operating tax rate limit increased. Senate Bill 550 of the 2003 Legislative Assembly provided that this increase would not be treated as "local revenues" under the State School Funding Formula, and would not, therefore, be offset by reductions in the District's State School Fund grant through fiscal year 2004-05. The amount of the increase in tax revenues that results from the increase in the operating tax rate limit will exceed the debt service on the Refunding Bonds, so issuing the Refunding Bonds will increase tax revenues that are available to the District to pay costs of public education in fiscal year 2004-2005. Thus the District obtains a favorable reorganization of its permanent debt structure.

In May 2004 Standard & Poor's lowered the District's debt rating for full faith and credit obligations from an "A" to an "A-" rating and lowered the rating for general obligation and limited tax general obligation bonds from and "A+" to an "A" rating. At the same time, Standard & Poor's assigned its "A-" rating to the \$11.975 million full faith and credit refunding bonds (federally taxably) series 2004. Standard & Poor's cited the District's weakened financial position due in part to state revenue declines and decreasing enrollments as rationale for the rating decision. Yet it declared the outlook stable for the District, based on the expectation that the District will adequately manage potential revenue and expenditure risks on the horizon. Moody's Investors Service also lowered its rating on the District's full faith and credit obligations from "A1" to "A2" and gave an "A2" rating to the \$11.975 million full faith and credit refunding bonds (federally taxably) series 2004, citing consecutive years of negative general fund balances. At the same time, Moody's affirmed the "Aa3" rating on the general obligation bonds, reflecting Moody's expectation that the District will recover somewhat in the near term.

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 \$4,039,060,000, which is significantly in excess of the District's outstanding general obligation debt.

PERS is Oregon's public pension system. Under a pension plan, the actuarial liability is the present value of the plan's current and expected benefits payments (plus administrative expenses). If a fund's actuarial liability exceeds its assets, then the fund has a shortfall that is known as an unfunded actuarial liability ("UAL"). The portion of the PERS UAL attributable to Oregon education districts was estimated at over \$1.68 billion based on the 2002 valuation. PERS requires that school districts pay (or "amortize") this UAL over a period of approximately 26 years with interest at 8% a year. Since interest rates have been at historic lows, an opportunity to benefit from interest rate arbitrage was created.

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

Additional information on the District’s long-term debt can be found in Note 9 on page 29 of this report.

Economic Factors and Next Year’s Budgets

- ◆ The concerted efforts of many volunteers and the generous support of the voters of Multnomah County resulted in the failure of Measure 26-64 that would have repealed the Multnomah County Income Tax. This income tax is expected to generate approximately \$50 million in revenue in 2005-06 before it expires June 30, 2006. The School Board is diligently pursuing other funding solutions to present to voters at the May 2006 election.
- ◆ For the third year in a row, unemployment rates in the Portland-Vancouver metropolitan area have been among the highest in the nation, remaining at 7.2%, which is only slightly lower than the State rate at 7.4%.
- ◆ Negotiations with some of the District’s various bargaining units were in process during the 2004-05 fiscal year. The Portland Association of Teachers reached agreement with the District in September 2005. The teachers received a 3% salary increase in 2004-05 and will receive another 2.75% increase in 2005-06. The teachers also agreed to certain reductions in health benefits and to premium cost sharing whereby the employee will contribute 6% of the premium cost in year one of the contract and 7% in year two. This settlement increased expenditures for 2004-05 by approximately \$5 million over the adopted budget. The nutrition services workers (SEIU Local 503) settled their contract in September 2005, agreeing to a 1% wage increase effective January 2004 and another ½% wage increase effective June 30, 2005. The health care cap was increased from \$600 per member per month to \$756 per month. The District Council of Unions continues in on-going negotiations on its contract that expired June 30, 2004. The classified union, the Portland Federation of Teachers and Classified Employees, has a contract that expired June 30, 2005.
- ◆ The five-year local option property tax levy, which generated about \$32 million in 2004-05, expired in June 2005. Also expired in June 2005 is the law that set aside desegregation funding of \$7.6 million. In addition, the capital bonds are virtually fully spent and are paid off by the end of June 2005. The Board will decide when to pursue asking the voters for additional capital bonds and for how much. Depending on how the bonds are structured, and if the current tax rate were maintained, the capital bonds could generate between \$150 million and \$300 million.

Both elections would require a double majority (50% voter turnout and 50% voting “yes”) unless held at a November general election in an even-numbered year. The timing of when such ballot measures may be pursued is being evaluated in coordination with the expiration of the local income tax discussed above and the potential local revenue solutions that are being formulated.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 84,658,358
Cash and cash equivalents held by fiscal agents	3,767,279
Cash held in trust	174,594
Investments	31,232,494
Accounts and other receivables	21,230,954
Property taxes and other taxes receivable	10,249,002
Inventories	1,830,670
Prepaid items	14,492
Prepaid PERS actuarial liability	485,029,169
Bond issue costs, net of accumulated amortization	4,383,049
Noncurrent Assets:	
Note receivable - Due in more than one year	3,787,500
Capital Assets, net of accumulated depreciation:	
Land	8,774,770
Buildings and capital improvements	186,388,732
Vehicles and equipment	18,602,689
Construction in progress	2,991,619
Total assets	<u>863,115,371</u>
LIABILITIES	
Accounts payable	11,010,779
Accrued wages and benefits	58,244,056
Claims payable	4,869,961
Accrued bond interest payable	191,779
Arbitrage rebate	43,678
Deferred revenues	721,972
Noncurrent Liabilities:	
Bonds payable - Due within one year	14,174,123
Bonds payable - Due in more than one year	513,418,227
Total liabilities	<u>602,674,575</u>
NET ASSETS	
Invested in capital assets, net of related debt	189,650,919
Unrestricted	70,789,877
Total net assets	<u><u>\$ 260,440,796</u></u>

The notes to the basic 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, 2005

<u>Functions/Programs</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 278,166,226	\$ 3,672,390	\$ 43,992,249	\$ (230,501,587)
Support services	167,788,692	1,855,014	23,581,529	(142,352,149)
Enterprise and Community Services	15,424,600	3,949,534	11,128,402	(346,664)
Non-capital facilities maintenance & replacement	2,225,437	-	-	(2,225,437)
Interest and fees on long-term debt	3,919,451	-	-	(3,919,451)
Total governmental activities	<u>\$ 467,524,406</u>	<u>\$ 9,476,938</u>	<u>\$ 78,702,180</u>	<u>(379,345,288)</u>
GENERAL REVENUES (UNRESTRICTED):				
Property taxes, levies for operations				138,698,619
Property taxes, levies for debt service				33,979,321
Local option taxes				31,750,751
State School Fund				148,012,565
State Common School Fund				3,783,920
County and intermediate sources				59,733,548
Investment earnings				3,091,245
Other				8,255,466
Gain on disposal of capital assets				6,023,738
Total general revenues				<u>433,329,173</u>
Change in net assets				53,983,885
Net assets - beginning of year				<u>206,456,911</u>
Net assets - end of year				<u>\$ 260,440,796</u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Governmental Funds
Balance Sheet
June 30, 2005

	General Fund	Grant Fund	PERS Rate Stabilization Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 70,618,636	\$ 1,200	\$ -	\$ 11,638,520	\$ 82,258,356
Cash and cash equivalents held by fiscal agents	3,477,239	-	-	290,040	3,767,279
Cash held in trust	174,594	-	-	-	174,594
Investments	824,947	-	20,800,000	5,691,547	27,316,494
Accounts and other receivables	4,688,255	16,021,548	-	483,392	21,193,195
Property taxes and other taxes receivable	8,520,064	-	-	1,728,938	10,249,002
Due from other funds	7,658,564	-	-	650,000	8,308,564
Inventories	1,118,799	-	-	711,871	1,830,670
Prepaid Items	14,492	-	-	-	14,492
Total assets	<u>\$ 97,095,590</u>	<u>\$ 16,022,748</u>	<u>\$ 20,800,000</u>	<u>\$ 21,194,308</u>	<u>\$ 155,112,646</u>
LIABILITIES					
Accounts payable	\$ 8,765,634	\$ 1,272,717	\$ -	\$ 887,905	\$ 10,926,256
Accrued wages and benefits	48,153,280	7,066,048	-	1,707,147	56,926,475
Due to other funds	650,000	6,962,011	-	696,553	8,308,564
Arbitrage rebate	-	-	-	43,678	43,678
Deferred revenues	7,690,159	721,972	-	1,567,062	9,979,193
Total liabilities	<u>65,259,073</u>	<u>16,022,748</u>	<u>-</u>	<u>4,902,345</u>	<u>86,184,166</u>
FUND BALANCES					
Unreserved, reported in:					
General Fund	31,836,517	-	-	-	31,836,517
Special revenue funds	-	-	20,800,000	9,132,416	29,932,416
Capital projects funds	-	-	-	7,381,496	7,381,496
Debt service funds	-	-	-	(221,949)	(221,949)
Total fund balances	<u>31,836,517</u>	<u>-</u>	<u>20,800,000</u>	<u>16,291,963</u>	<u>68,928,480</u>
Total liabilities and fund balances	<u>\$ 97,095,590</u>	<u>\$ 16,022,748</u>	<u>\$ 20,800,000</u>	<u>\$ 21,194,308</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.	216,757,810
Long-term taxes receivable are not available to pay for current-period expenditures and therefore, are deferred in the funds.	9,257,221
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,363,406
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(527,592,350)
PERS unfunded liability payment is not reported as a prepayment in the funds and therefore, is expensed in the the funds.	485,029,169
Bond issue costs are not amortized over the life of the bonds in the funds and therefore are expensed in the year of the bond issue.	4,383,049
Notes receivable are not collectable in the current period and therefore are not reported in the funds.	3,787,500
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(1,281,710)
Bond interest is not accrued as a liability in the government funds.	(191,779)
Net assets of governmental activities	<u>\$ 260,440,796</u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2005

	General Fund	Grant Fund	PERS Rate Stabilization Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property and other taxes	\$ 139,167,411	\$ -	\$ -	\$ 33,979,321	\$173,146,732
State School Fund	148,012,565	-	-	-	148,012,565
Local option taxes	31,750,751	-	-	-	31,750,751
County and intermediate sources	58,195,949	887,776	-	649,823	59,733,548
State Common School Fund	3,783,920	-	-	-	3,783,920
Federal and state support	-	59,560,066	-	9,342,969	68,903,035
Charges for services	3,418,524	-	-	6,058,414	9,476,938
Extracurricular activities	-	-	-	6,872,478	6,872,478
Investment earnings	2,422,210	-	-	595,476	3,017,686
Other	7,327,504	628,418	-	3,040,760	10,996,682
Total revenues	<u>394,078,834</u>	<u>61,076,260</u>	<u>-</u>	<u>60,539,241</u>	<u>515,694,335</u>
EXPENDITURES					
Current Operating:					
Instruction	223,280,748	35,694,826	-	10,962,015	269,937,589
Support services	141,791,346	23,581,529	-	2,593,855	167,966,730
Enterprise and Community Services	-	1,799,905	-	13,758,685	15,558,590
Non-capital facilities maintenance and replacement	-	-	-	5,274,400	5,274,400
Debt Service:					
Principal	648,539	-	-	41,405,000	42,053,539
Interest	240,499	-	-	3,746,189	3,986,688
Total expenditures	<u>365,961,132</u>	<u>61,076,260</u>	<u>-</u>	<u>77,740,144</u>	<u>504,777,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,117,702</u>	<u>-</u>	<u>-</u>	<u>(17,200,903)</u>	<u>10,916,799</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	9,500,000	8,418,545	17,918,545
Transfers out	(17,918,545)	-	-	-	(17,918,545)
Proceeds from the sale of property	8,446,406	-	-	270,823	8,717,229
Total other financing sources (uses)	<u>(9,472,139)</u>	<u>-</u>	<u>9,500,000</u>	<u>8,689,368</u>	<u>8,717,229</u>
Net change in fund balances	18,645,563	-	9,500,000	(8,511,535)	19,634,028
Fund balances - beginning of year	13,190,954	-	11,300,000	24,803,498	49,294,452
Fund balances - end of year	<u>\$ 31,836,517</u>	<u>\$ -</u>	<u>\$20,800,000</u>	<u>\$ 16,291,963</u>	<u>\$ 68,928,480</u>

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

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, 2005

Net change in fund balances - total governmental funds (page 15) \$ 19,634,028

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 depreciation in the current period of \$14,559,963 exceeded capital outlays of \$8,950,544. (5,609,419)

Governmental funds do not report the uncollected portion of revenue from the sale of an asset in the current year if a note is issued. Revenue is recorded at the time the note payment is received. This is the amount that the prior year note was reduced in the current year. (962,500)

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred revenue related to property taxes. (468,792)

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 income of that fund for the year. 1,132,909

Revenues need to be reduced by the net book value of capital assets sold. This equates to the depreciated cost of assets sold. (1,730,991)

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. 42,956,596

Governmental funds reported the prepayment of the PERS unfunded actuarial liability as an other financing use in prior years. However, in the statement of activities the expense is the amortization of the prepaid asset. (1,042,418)

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	(132,126)
Change in bond interest payable	206,598

Change in net assets of governmental activities (page 13) \$ 53,983,885

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Proprietary Fund - Internal Service Fund
Statement of Net Assets
June 30, 2005

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,400,002
Investments	3,916,000
Accounts and other receivables	<u>37,759</u>
Total assets	<u>6,353,761</u>

LIABILITIES

Current Liabilities

Accounts payable and other current liabilities	84,523
Accrued salaries, wages and benefits payable	35,871
Claims payable	<u>4,869,961</u>
Total liabilities	<u>4,990,355</u>

NET ASSETS

Unrestricted	<u><u>\$ 1,363,406</u></u>
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The notes to the basic financial statements are an integral part of this financial statement.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Proprietary Fund - Internal Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2005

OPERATING REVENUES

Current Operating:	
Charges for services	\$ 4,941,768
Insurance recoveries	156,446
Other	<u>29,005</u>
Total revenues	<u>5,127,219</u>

OPERATING EXPENSES

Current Operating:	
Salaries and benefits	310,143
Materials and services	356,681
Claims expense	<u>3,401,045</u>
Total expenses	<u>4,067,869</u>
Operating income	1,059,350

NON-OPERATING REVENUES

Investment earnings	<u>73,559</u>
Net income	1,132,909
Net assets - beginning of year	<u>230,497</u>
Net assets - end of year	<u><u>\$ 1,363,406</u></u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Proprietary Fund - Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from interfund services provided and used	\$ 4,941,768
Cash received from insurance recoveries	815,918
Cash received from miscellaneous transactions	29,005
Cash payments for salaries and benefits	(311,469)
Cash payments for goods and services	<u>(3,936,217)</u>
Net cash used by operating activities	<u>1,539,005</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments	(1,564,000)
Investment earnings	<u>73,559</u>
Net cash provided by investing activities	<u>(1,490,441)</u>
Net increase in cash and cash equivalents	48,564
Cash and cash equivalents at beginning of year	<u>2,351,438</u>
Cash and cash equivalents at end of year	<u>\$ 2,400,002</u>

RECONCILIATION OF OPERATING INCOME TO

CASH USED BY OPERATING ACTIVITIES

Operating income	\$ 1,059,350
Adjustment to reconcile operating income to net cash used by operating activities:	
Decrease in accounts receivable	659,472
Decrease in accounts payable	(234,580)
Increase in claims payable	56,089
Decrease in accrued salaries, and wages and benefits payable	<u>(1,326)</u>
Total adjustments	<u>479,655</u>
Net cash used by operating activities	<u>\$ 1,539,005</u>

Non cash activities: None

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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 reports no component units, entities for which the government is considered to be financially accountable, due to the insignificance of the potential component units. The District 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 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 except that interfund services provided and used are not eliminated in the process of consolidation.

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

Separate financial statements are provided for governmental funds and the Self-Insurance Fund, an internal service fund, 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. In the internal service fund, all revenues and expenses except interest earnings, are considered to be related to operations. 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 Basic Financial Statements
For the Year Ended June 30, 2005

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

PERS Rate Stabilization Reserve – Accounts for the reserves needed to help minimize large fluctuations in the PERS rate assessed on salaries and wages to repay the PERS unfunded actuarial liability borrowing relative to the District's participation in the Oregon School Boards Association Pension Bond Program. Sole revenue source is operating transfers from the General Fund.

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 resources for the fund are charges to other funds and investment earnings. The activity and balances of this fund are included in the governmental activities in the government-wide financial statements. All revenues except for investment revenue is considered operating revenue.

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 by fund for each legally adopted annual operating budget at the following levels of control, as appropriate:

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

Capital outlay expenditures are appropriated within the instruction and supporting services levels of control. Debt service expenditures in the General Fund are 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.

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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. The District had no supplemental budgets and three appropriation transfers during the 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.

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 year. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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
Vehicles	5

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>Excess Coverage per Occurrence</u>
General and Automobile Liabilities	\$1,000,000	\$ 5,000,000
Property and Fire Liabilities	1,000,000	100,000,000
Earthquake and Flood Liabilities	1,000,000	50,000,000
Workers' Compensation Liabilities	1,000,000	Unlimited

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. Compensated absences are not reported as liabilities in the governmental funds because they have not "matured," meaning they are not yet payable to the employee.

Vested compensated absences include accrued vacation and salary related payments. The amounts expected to be liquidated with expendable available financial resources are accrued in the fund, and 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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

can be accumulated. Accumulated sick leave does not vest and is forfeited at resignation, retirement or death. Sick leave is recorded as an expenditure 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.

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.

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.

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

NOTE 2- BUDGETARY BASIS OF ACCOUNTING

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 budgetary statements provided as part of supplementary information are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NOTE 3 - STATE CONSTITUTIONAL PROPERTY TAX LIMITS

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

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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, 2005 was \$5.2781 per \$1,000 of assessed value.

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

Deposits with financial institutions include bank demand deposit accounts, time certificates of deposit, savings accounts, and deposits in the Oregon Local Government Investment Pool (LGIP), all as allowed by state statutes and the District's investment policy. At June 30, 2005, the carrying amount of the District's deposits was \$67,843,290 and the statement balances was \$70,488,184. Of that amount \$100,000 was covered by federal depository insurance, and certificates of collateral, in conformity with Oregon law, were available up to \$114,500,000 to cover these deposits.

B. Investments

Generally accepted accounting principles require investments with a remaining maturity of more than one year at the time of purchase to be stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn.

The LGIP does not report all investments at fair value in accordance with the provisions of GASB Statement No. 31. The LGIP is required by Oregon Revised Statutes (ORS) to compute the fair value of all investments maturing more than 270 days from the date the computation is made. If the fair value totals more than one percent of the balance of the LGIP in terms of unrealized gain or loss, the amount is required to be distributed to the pool participants. Fifty percent of the LGIP portfolio must mature within 93 days. Up to 25% of the LGIP portfolio may mature in over one year and no investment may mature in over three years. At June 30, 2005, the District's share of the amount of unrealized gain reported by the LGIP, in accordance with ORS, was considered immaterial.

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

As of June 30, 2005, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S government agency securities	\$ 31,232,494	0.1260
Oregon Local Government Investment Pool	<u>16,989,662</u>	0.0000
Total investments	<u>\$ 48,222,156</u>	
Portfolio weighted average maturity		<u>0.0816</u>

Interest rate risk

In accordance with its investment policy, the District manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investment portfolio to less than two months.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2005

Credit risk

Oregon Revised Statutes authorize school districts to invest in obligations of the U.S. Treasury, agencies and instrumentalities of the United States, commercial paper, bankers' acceptances guaranteed by a qualified financial institution, repurchase agreements, interest bearing bonds of any city, county, port or school district in Oregon (subject to specific standards), and the 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. The District's investments in U.S. government securities are not required to be rated. Investments in US government agency securities are rated AAA by Standard and Poors, and A1P1 by Moody's Investors Service.

Concentration of credit risk-investments

The District's investment policy, and ORS 294.035, does not allow for an investment in any one user that is in excess of five percent of the District's total investment.

Custodial risk- deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Oregon laws require governmental deposits to be made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the District. This does not constitute full collateral of deposits, but meets Oregon legal requirements.

Custodial credit risk-investments

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

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

The deposits and investments, as well as our balance sheet classification are as follows:

Cash and cash equivalents held by fiscal agents	\$ 3,767,279
Cash held in trust in Local Government Investment Pool	174,594
Local Government Investment Pool	16,989,662
Cash in segregated accounts	2,750,331
Demand accounts	64,913,005
Petty cash	5,360
Total cash, cash equivalents	88,600,231
U.S government agency securities	31,232,494
Total cash, cash equivalents and investments	\$ 119,832,725

Balance sheet classification:

Cash and cash equivalents:	
Governmental funds	\$ 82,258,356
Proprietary fund	2,400,002
Total cash and cash equivalents	84,658,358
Cash and cash equivalents held by fiscal agents:	
Governmental funds	3,767,279
Cash held in trust:	
Governmental funds	174,594
Investments:	
Governmental funds	27,316,494
Proprietary fund	3,916,000
Total Investments	31,232,494
Total cash, cash equivalents and investments	\$ 119,832,725

NOTE 5 – RECEIVABLES

Receivables as of year-end are summarized as follows:

Receivables:	Fund Type					Total
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	
Taxes	\$ 8,520,064	\$ -	\$ 1,728,938	\$ -	\$ -	\$ 10,249,002
Interest	80,334	-	-	7,274	-	87,608
Accounts	4,510,200	476,118	-	-	37,759	5,024,077
Federal, state and local grants	-	16,021,548	-	-	-	16,021,548
Advances to employees	97,721	-	-	-	-	97,721
Accounts and other receivables	4,688,255	16,497,666	-	7,274	37,759	21,230,954
Total Receivables	\$ 13,208,319	\$ 16,497,666	\$ 1,728,938	\$ 7,274	\$ 37,759	\$ 31,479,956

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

NOTE 6 – NOTE RECEIVABLE

Effective December 15, 2003 the District sold the broadcast license and certain insignificant capital assets of the public broadcasting FM station operated by the District to a not-for-profit foundation that will continue to operate the station. The terms of the sale include a down payment of \$750,000 and principal payments as detailed below. Interest accrues on these receivables at 5% for four years and 2% over the prime rate for the next six years. During the year the District received a payment of \$1,200,000 for this note. The District considers these receivables to be collectable, and, accordingly, no allowance for doubtful accounts has been provided.

Payments are scheduled to be received in the fiscal years ending June 30:

	Payments	Interest	Principal reduction/ (addition)
2006	\$ 100,000	\$ 189,375	\$ (89,375)
2007	100,000	193,844	(93,844)
2008	100,000	198,536	(98,536)
2009	375,000	284,848	90,152
2010	375,000	278,537	96,463
2011 - 2014	4,737,394	854,754	3,882,640
Total	\$ 5,787,394	\$ 1,999,894	\$ 3,787,500

NOTE 7 – CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets for the year ended June 30, 2005, follows:

Description	Balance June 30, 2004	Additions	Deletions	Reclassification	Balance June 30, 2005
Land (non-depreciable)	\$ 9,049,378	\$ -	\$ (274,608)	\$ -	\$ 8,774,770
Buildings & site improvements	303,060,900	5,640,384	(4,884,712)	8,103,847	311,920,419
Vehicles and equipment	27,464,419	1,831,851	(5,000)	3,854,761	33,146,031
Construction in progress	13,471,918	1,478,309	-	(11,958,608)	2,991,619
Total General Fixed Assets	353,046,615	8,950,544	(5,164,320)	-	356,832,839
Accumulated depreciation:					
Buildings & site improvements	(117,135,692)	(11,824,324)	3,428,329	-	(125,531,687)
Vehicles and equipment	(11,812,703)	(2,735,639)	5,000	-	(14,543,342)
Total accumulated depreciation	(128,948,395)	(14,559,963)	3,433,329	-	(140,075,029)
Total governmental assets	\$ 224,098,220	\$ (5,609,419)	\$ (1,730,991)	\$ -	\$ 216,757,810

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

Instruction	\$ 11,377,196
Supporting services	3,094,238
Food services	88,529
	\$ 14,559,963

NOTE 8 – INTERFUND BALANCES

The interfund balances are in place to eliminate a temporary negative cash position in the Grant Fund and to invest a portion of the fund balance of the Student Body Activities Fund monies in higher yielding investments held by the General Fund.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

The composition of interfund balances as of June 30, 2005, is as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 7,658,564	\$ 650,000
Grant Fund	-	6,962,011
Non-major governmental funds	650,000	696,553
Total all funds	<u>\$ 8,308,564</u>	<u>\$ 8,308,564</u>

NOTE 9 - BONDED AND OTHER LONG-TERM DEBT

Changes in long-term debt of the District during fiscal year 2005 were as follows:

	<u>Principal Balance July 1, 2004</u>	<u>Additions</u>	<u>Repayments</u>	<u>Principal Balance June 30, 2005</u>
General Obligation Bonds, Series 1996	\$ 34,675,000	\$ -	\$ (34,675,000)	\$ -
Limited Tax General Obligation Refunding Bonds, Series 2002	209,557,835	-	(1,042,416)	208,515,419
Limited Tax General Obligation Refunding Bonds, Series 2003	281,170,040	-	-	281,170,040
Limited Tax General Obligation Refunding Bonds, Series 2004	11,900,000	-	(1,100,000)	10,800,000
Certificates of Participation (COP), Series 1999	23,810,000	-	(4,375,000)	19,435,000
Refunding Special Obligations, 1993 Series A	3,960,000	-	(1,255,000)	2,705,000
Small Scale Energy Loan Programs	5,642,337	-	(675,446)	4,966,891
Total General Long-term Obligations	<u>\$ 570,715,212</u>	<u>\$ -</u>	<u>\$ (43,122,862)</u>	<u>\$ 527,592,350</u>

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 were payable annually through June 2003. Interest was 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. These bonds were repaid in full at year end.

In October 2002 Portland Public Schools participated as one of forty-one Oregon school districts and education service districts in issuing limited tax pension bonds, the proceeds 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. In April 2003 OSBA sponsored another pooled limited tax pension bond program with thirty school districts and

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2005

education service districts. The District records the amounts deposited with PERS as a prepayment on its actuarial obligation, and accounts for the payment of principal, interest and the amortization of the prepayment as pension expense over the life of the bonds. The District anticipates that the total costs of financing the District's actuarial obligation in this way will result in a significant savings to the District when compared to paying for such costs in additional contribution rates to PERS.

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 Pensions Obligations were issued on October 31, 2002, and are payable annually through June 2028. Interest on the deferred interest bonds is accreted semiannually at yields ranging from 2.06% to 6.10%. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.48% to 5.55%. The Series 2002A Obligations are not subject to optional prepayment prior to maturity. The Series 2002B Obligations maturing June 30, 2021 shall be subject to prepayment from Pension prepayments on or after June 30, 2007, and Obligations due June 30, 2028 are subject to mandatory prepayment prior to its stated maturity, in whole or part, on any June 30 on or after June 30, 2024.

The District issued \$281,170,040 Limited Tax Pension Obligations, Series 2003 (Federally Taxable), of which \$124,800,040 are Series 2003A (deferred interest obligations) and \$156,370,000 are Series 2003B (current interest obligations). The Series 2003 Limited Tax Pensions Obligations were issued on April 30, 2003, and are payable annually through June 2028. Interest on the deferred interest bonds is accreted semiannually at yields ranging from 1.50% to 6.27%. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.63% to 5.68%. The bonds are federally taxable and are not subject to optional prepayment prior to their stated maturities.

In fiscal year 2004 the 1998 series refunding bonds were advance refunded, with proceeds of the Limited Tax General Obligation Refunding Bonds, Series 2004. The 2004 series refunding bonds are payable annually through June 15, 2013. Interest is payable semi-annually at rates ranging from 2.190% to 5.518%. The bonds are federally taxable and are not subject to redemption prior to their stated maturities.

The 1999 series Certificates of Participation (COP) 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.

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 financial statements. At June 30, 2005, \$ 7,050,181 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 underwriting and other issuance costs). Simultaneous

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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.

Federal arbitrage restrictions apply to substantially all debt. Any liabilities to the federally government are accrued and paid semi-annually.

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

Fiscal Year	Limited Tax	Certificates of Participation	Refunding Special Obligations	SELP Loans	Totals
Principal:					
2006	\$ 7,627,674	\$ 4,555,000	\$ 1,320,000	\$ 671,449	\$ 14,174,123
2007	8,022,111	4,750,000	1,385,000	702,226	14,859,337
2008	9,502,172	4,955,000	-	734,457	15,191,629
2009	9,711,957	5,175,000	-	768,205	15,655,162
2010	10,991,375	-	-	723,745	11,715,120
2011-2015	59,072,403	-	-	1,326,746	60,399,149
2016-2020	59,895,543	-	-	40,063	59,935,606
2021-2025	173,477,224	-	-	-	173,477,224
2026-2030	162,185,000	-	-	-	162,185,000
Principal Total	<u>500,485,459</u>	<u>19,435,000</u>	<u>2,705,000</u>	<u>4,966,891</u>	<u>527,592,350</u>
Interest:					
2006	\$ 18,654,648	\$ 889,922	\$ 135,250	\$ 211,103	\$ 19,890,923
2007	19,054,773	696,334	69,250	180,326	20,000,683
2008	19,770,332	489,708	-	148,095	20,408,135
2009	20,428,159	271,688	-	114,347	20,814,194
2010	21,549,637	-	-	80,261	21,629,898
2011-2015	127,304,522	-	-	100,866	127,405,388
2016-2020	176,011,087	-	-	780	176,011,867
2021-2025	128,638,098	-	-	-	128,638,098
2026-2030	16,673,098	-	-	-	16,673,098
Interest Total	<u>548,084,354</u>	<u>2,347,652</u>	<u>204,500</u>	<u>835,778</u>	<u>551,472,284</u>
Total Debt Service	<u>\$ 1,048,569,813</u>	<u>\$ 21,782,652</u>	<u>\$ 2,909,500</u>	<u>\$ 5,802,669</u>	<u>\$ 1,079,064,634</u>

NOTE 10 – INTERFUND TRANSFERS

The District made transfers from the General Fund of \$8,274,927 to Debt Service Funds to fund bond payments; \$9,500,000 to the PERS Rate Stabilization Fund to use for stabilization of fluctuations in PERS rates, and; \$121,618 to the Student Body Fund and \$22,000 to the Cafeteria Fund to disburse vending machines commissions.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

The composition of interfund transfers as of June 30, 2005, is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 17,918,545
Non-major governmental funds	<u>17,918,545</u>	<u>-</u>
Total all funds	<u>\$ 17,918,545</u>	<u>\$ 17,918,545</u>

NOTE 11- DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System (PERS)

Plan Description. The District contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service.

Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment 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, which is invested in the OPSRP Individual Account Program. The District is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2005 were 0.64% and 8.04% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost. The District's contributions to PERS for the years ending December 31, are shown below and are equal to the required contribution for the year. During 2002-03, the District issued limited tax pension bonds, the proceeds of which were used to finance a portion of its estimated unfunded actuarial liability. (See Note 9)

Annual PERS pension expenditures for the fiscal years ended June 30:

	<u>Required contribution to PERS</u>	<u>Annual Debt Service</u>	<u>Total PERS Pension Cost</u>
2003	\$ 20,433,361	\$ 5,774,195	\$ 26,207,556
2004	1,445,640	19,786,878	21,232,518
2005	2,500,339	18,643,323	21,143,662

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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 2005 the General Fund incurred expenditures of \$3,400,339 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 12 - 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 District-paid benefits for up to 60 months or until reaching the age 65, whichever comes first. The District also pays for one-half of the dependent benefit costs during the benefit period. The program was established under separate collective bargaining agreements with certificated and classified employees and by precedent for all other District employees.

Funding Policy. The District pays for the benefits 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 2005 the General Fund recognized expenditures of \$3,412,653 for the post-employment healthcare benefits.

NOTE 13 - 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.

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

The Self-Insurance Fund recognized the following amounts of revenues from other funds for the year ended June 30, 2005.

General Fund	\$ 4,180,514
Cafeteria Fund	83,646
Grant Fund	590,482
Special Revenue Funds	76,915
BESC Cafeteria Fund	5,373
System Project Fund	4,529
Facilities Improvement/Technology Fund	<u>309</u>
Total	<u><u>\$ 4,941,768</u></u>

Changes in the balances of claims liabilities during the years ended June 30, 2001 through June 30, 2005 were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>New Claims</u>	<u>Payments on Claims</u>	<u>Ending Balance</u>
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
2003	5,046,000	4,020,205	4,020,205	5,046,000
2004	5,046,000	6,710,172	6,942,300	4,813,872
2005	4,813,872	3,401,045	3,344,956	4,869,961

NOTE 14– COMMITMENTS AND CONTINGENCIES

- The District has commitments for several capital construction projects to enhance and repair the District's educational facilities. Such commitments will be paid from existing capital projects funds. The outstanding commitments for these projects at June 30, 2005 total \$6,836,191. In addition, the District has a contract for custodial services extending through July 14, 2005 that will require a minimum payment of \$2,027,050 after June 30, 2005.
- Additionally, the District has a contract to provide duplication services to various District facilities which will require minimum payments of \$1,279,087, \$1,279,087 and \$1,279,087 in the years ending June 30, 2006, 2007 and 2008, respectively.

NOTE 15 – COMPONENT UNITS AND OTHER ACTIVITIES

The District sponsors five charter schools under the provisions of the Oregon Revised Statutes. The students attending these charter schools are primarily District students. The District is required by ORS 338.155 and the charters with the schools to provide a percentage of the State's allocation to these schools for each student enrolled in them. This allocation is 80% for elementary and middle schools and 95% for high schools of the general purpose grant per ADMw, as calculated by ODE, to the charter schools. Under the requirements of the Governmental Accounting Standards Board (GASB), such schools are component units of the District. These charter schools are not reported as component units of the District, because they are individually and collectively immaterial to the District's financial statements. The pass-through of the State School Fund revenue provided to these charter schools is included in the expenditures and expenses of the District. Financial information on the charter schools can be obtained by contacting the Office of Educational Options at Portland Public Schools.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

The School District No. 1 Health and Welfare Trust (the Trust) provides health and welfare benefits for District employees who are members of the Portland Association of Teachers (PAT), the Portland Federation of Teachers and Classified Employees (PFTCE), and the District Council of Unions (DCU). The Trust was established by collective bargaining agreements. The governing Board of Trustees is composed of trustees appointed by management of the District and of each bargaining unit, respectively, such that management-designated Trustees and union-designated Trustees have an equal number of votes. The Trust does not meet the criteria of GASB Statements No. 14 or 39 for inclusion in the financial statements as a component unit.

The Portland Schools Foundation is an independent, non-profit organization dedicated to providing leadership and funding for excellence, innovation and equity in education for children attending Portland Public Schools; engaging students, teachers, parents and the community in support of quality public education; and advocating for resources, policies and legislation to improve public schools in Portland. The Portland Schools Foundation does not meet the criteria of GASB Statements No. 14 or 39 for inclusion in the financial statements as a component unit.

NOTE 16 – DEFICIT FUND BALANCES

At June 30, 2005 the following funds had deficit fund balances which have been determined by the Oregon Department of Revenue to be in violation of Oregon Local Budget Law:

BESC Cafeteria Fund	\$ (39,010)
General Obligation Bonds Debt Service Fund	\$ (221,949)

NOTE 17 – SUBSEQUENT EVENTS

Donation from the Bill and Melinda Gates Foundation and the Meyer Memorial Trust

A three year grant award of nearly \$9 million has been made by the Bill and Melinda Gates Foundation and the Meyer Memorial Trust to raise student achievement, dramatically expand teacher training, rework middle and high school curriculum and improve the delivery of services to schools. This exciting award by Gates and Meyer will allow the District to increase the pace and scale of the work already begun at middle and high schools and to have an impact on student achievement, not in a decade, but this year, next year, and the year after.

Ball Replacement School at New Columbia

The Board of Education voted to participate with partners to build a new state-of-the-art school on the campus at New Columbia, a mixed-income planned community project of the Housing Authority of Portland. The new school will replace Ball Elementary School and will be the first new school construction since 1997. It is only the second school built in the past thirty years and the third school built since the mid-sixties. In the absence of capital bond funding, the replacement of Ball is being financed by a combination of New Markets Tax Credits, donated land and dollars, and loans. The project, which is supported by private fundraising and a significant contribution from the Housing Authority of Portland, incorporates shared space with the Boys & Girls Club of Portland, and utilizes a new gym being constructed by Portland Parks and Recreation at the University Park Community Center. Slated to open in September 2006, the entire project is valued at \$20 million but will cost the school district less than \$10.5 million as a result of the partnership with HAP, the Boys & Girls Club and the use of New Market Tax Credits.

Custodians

The Oregon Supreme Court, in a 4-3 decision, ruled against the Portland Public School District in a case brought by the school district's former custodians. In 2002, faced with a severe financial shortfall, Portland Public Schools decided to contract out for custodial services. The Board of Education's decision

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2005

to contract out the custodial services was not made lightly, and only after months of bargaining with the custodians' union while schools faced extreme budget pressure. Prior to the layoff, the District received two legal rulings confirming its authority to contract out services: one from the Multnomah County Circuit Court, and the other from the Employee Relations Board. In the last three years, PPS has faced constant legal challenges to this decision from the custodians. Until this ruling, the District had prevailed in every case and appeal, before the Oregon Employee Relations Board, Multnomah County Circuit Court judges, the U.S. District Court, and in the Oregon Court of Appeals.

The District is seeking reconsideration of the Supreme Court's decision. The Court's decision does not specify any remedy, therefore any potential cost to the District is not measurable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information

1. No budgetary expenditures in excess of appropriations occurred during the year.
2. The budgetary basis of accounting for all funds is modified accrual, which is the same as that required by generally accepted accounting principles. Accordingly, no reconciliation of budgetary to generally accepted accounting principles activity is required.

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property and other taxes	\$ 154,350,107	\$ 154,350,107	\$ 139,167,411	\$ (15,182,696)
State School Fund	138,516,031	138,516,031	148,012,565	9,496,534
Local option taxes	17,417,697	17,417,697	31,750,751	14,333,054
County and intermediate sources	61,492,431	61,492,431	58,195,949	(3,296,482)
State Common School Fund	3,382,172	3,382,172	3,783,920	401,748
Charges for services	3,714,500	3,714,500	3,418,524	(295,976)
Investment earnings	725,000	725,000	2,422,210	1,697,210
Other	4,418,630	4,418,630	7,327,504	2,908,874
Total revenues	384,016,568	384,016,568	394,078,834	10,062,266
EXPENDITURES				
Current operating:				
Instruction:				
Regular programs:				
Salaries and benefits	152,860,312	154,852,396	153,406,788	1,445,608
Materials and services	6,610,161	6,420,922	5,770,494	650,428
Total regular programs	159,470,473	161,273,318	159,177,282	2,096,036
Special programs:				
Salaries and benefits	49,101,617	50,123,594	51,207,592	(1,083,998)
Materials and services	14,677,711	13,635,422	12,895,874	739,548
Total special programs	63,779,328	63,759,016	64,103,466	(344,450)
Total instruction	223,249,801	225,032,334	223,280,748	1,751,586
Support services:				
Students:				
Salaries and benefits	29,597,666	29,805,596	29,550,421	255,175
Materials and services	2,761,347	2,589,614	1,249,509	1,340,105
Total students	32,359,013	32,395,210	30,799,930	1,595,280
Instructional staff:				
Salaries and benefits	9,045,976	9,387,126	9,134,873	252,253
Materials and services	2,625,531	2,654,969	1,377,861	1,277,108
Total instructional staff	11,671,507	12,042,095	10,512,734	1,529,361
General administration:				
Salaries and benefits	1,893,957	2,144,048	1,935,800	208,248
Materials and services	1,650,286	1,690,921	1,249,900	441,021
Total general administration	3,544,243	3,834,969	3,185,700	649,269
School administration:				
Salaries and benefits	26,178,878	27,205,142	26,763,132	442,010
Materials and services	219,825	259,455	172,171	87,284
Total school administration	26,398,703	27,464,597	26,935,303	529,294

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

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support services (continued):				
Business:				
Salaries and benefits	17,321,047	17,470,280	17,360,559	109,721
Materials and services	36,579,397	36,709,393	37,921,005	(1,211,612)
Total business	<u>53,900,444</u>	<u>54,179,673</u>	<u>55,281,564</u>	<u>(1,101,891)</u>
Central:				
Salaries and benefits	10,407,542	10,215,107	8,671,065	1,544,042
Materials and services	4,292,026	4,326,049	4,967,313	(641,264)
Total central	<u>14,699,568</u>	<u>14,541,156</u>	<u>13,638,378</u>	<u>902,778</u>
Community Services:				
Materials and services	-	-	49,043	(49,043)
Facilities acquisition & construction:				
Salaries and benefits			3,078	(3,078)
Materials and services	-	-	1,385,616	(1,385,616)
Total facilities acquisition & construction	<u>-</u>	<u>-</u>	<u>1,388,694</u>	<u>(1,388,694)</u>
Total support services	<u>142,573,478</u>	<u>144,457,700</u>	<u>141,791,346</u>	<u>2,666,354</u>
Other expenditures:				
Debt Service				
Principal	634,050	634,050	648,539	(14,489)
Interest	376,334	376,334	240,499	135,835
Total debt service	<u>1,010,384</u>	<u>1,010,384</u>	<u>889,038</u>	<u>121,346</u>
Total current expenditures	<u>366,833,663</u>	<u>370,500,418</u>	<u>365,961,132</u>	<u>4,539,286</u>
Operating contingency	<u>11,580,883</u>	<u>7,914,128</u>	<u>-</u>	<u>7,914,128</u>
Total expenditures	<u>378,414,546</u>	<u>378,414,546</u>	<u>365,961,132</u>	<u>12,453,414</u>
Excess of revenues over expenditures	<u>5,602,022</u>	<u>5,602,022</u>	<u>28,117,702</u>	<u>22,515,680</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(18,277,746)</u>	<u>(18,277,746)</u>	<u>(17,918,545)</u>	<u>359,201</u>
Proceeds from the sale of property	100,000	100,000	8,446,406	8,346,406
Total other financing sources and (uses)	<u>(18,177,746)</u>	<u>(18,177,746)</u>	<u>(9,472,139)</u>	<u>8,705,607</u>
Net change in fund balance	(12,575,724)	(12,575,724)	18,645,563	31,221,287
Fund balance - beginning of year	12,575,724	12,575,724	13,190,954	615,230
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,836,517</u>	<u>\$ 31,836,517</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive/</u> <u>(Negative)</u>
REVENUES				
County and Intermediate sources	\$ 725,257	\$ 725,257	\$ 887,776	\$ 162,519
Federal and state support	60,707,325	66,807,325	59,560,066	(7,247,259)
Other	547,715	547,715	628,418	80,703
Total revenues	<u>61,980,297</u>	<u>68,080,297</u>	<u>61,076,260</u>	<u>(7,004,037)</u>
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	5,116,311	12,717,894	12,873,273	(155,379)
Materials and services	2,020,020	1,328,437	1,602,868	(274,431)
Total regular programs	<u>7,136,331</u>	<u>14,046,331</u>	<u>14,476,141</u>	<u>(429,810)</u>
Special programs:				
Salaries and benefits	20,918,293	17,886,318	15,315,325	2,570,993
Materials and services	9,434,984	7,516,959	5,792,366	1,724,593
Total special programs	<u>30,353,277</u>	<u>25,403,277</u>	<u>21,107,691</u>	<u>4,295,586</u>
Summer school programs:				
Salaries and benefits	10,517	80,149	101,957	(21,808)
Materials and services	39,999	10,367	9,037	1,330
Total summer school programs	<u>50,516</u>	<u>90,516</u>	<u>110,994</u>	<u>(20,478)</u>
Total instruction	<u>37,540,124</u>	<u>39,540,124</u>	<u>35,694,826</u>	<u>3,845,298</u>
Support Services:				
Students:				
Salaries and benefits	4,065,368	4,473,754	4,656,590	(182,836)
Materials and services	3,283,624	3,185,238	3,339,999	(154,761)
Total students	<u>7,348,992</u>	<u>7,658,992</u>	<u>7,996,589</u>	<u>(337,597)</u>
Instructional staff:				
Salaries and benefits	7,437,663	9,067,356	8,177,854	889,502
Materials and services	5,282,090	5,882,397	3,702,478	2,179,919
Total instructional staff	<u>12,719,753</u>	<u>14,949,753</u>	<u>11,880,332</u>	<u>3,069,421</u>
School administration:				
Salaries and benefits	1,134,926	1,318,261	1,445,407	(127,146)
Materials and services	684,206	930,871	931,550	(679)
Total school administration	<u>1,819,132</u>	<u>2,249,132</u>	<u>2,376,957</u>	<u>(127,825)</u>
Business:				
Salaries and benefits	71,726	87,240	104,325	(17,085)
Materials and services	15,107	209,593	178,049	31,544
Total business	<u>86,833</u>	<u>296,833</u>	<u>282,374</u>	<u>14,459</u>

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

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services (continued):				
Central:				
Salaries and benefits	609,431	696,250	690,481	5,769
Materials and services	377,686	410,867	354,796	56,071
Total central	<u>987,117</u>	<u>1,107,117</u>	<u>1,045,277</u>	<u>61,840</u>
Total support services	<u>22,961,827</u>	<u>26,261,827</u>	<u>23,581,529</u>	<u>2,680,298</u>
Enterprise and Community Services:				
Food Services:				
Materials and services	144,880	334,880	321,915	12,965
Total food services	<u>144,880</u>	<u>334,880</u>	<u>321,915</u>	<u>12,965</u>
Community Services:				
Salaries and benefits	983,751	1,228,495	977,541	250,954
Materials and services	349,715	714,971	500,449	214,522
Total community services	<u>1,333,466</u>	<u>1,943,466</u>	<u>1,477,990</u>	<u>465,476</u>
Total enterprise and community services	<u>1,478,346</u>	<u>2,278,346</u>	<u>1,799,905</u>	<u>478,441</u>
Total current expenditures	<u>61,980,297</u>	<u>68,080,297</u>	<u>61,076,260</u>	<u>7,004,037</u>
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
PERS Rate Stabilization Reserve Fund
Schedule of Changes in Fund Balance -
Budget and Actual
For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Transfers in	\$ 9,500,000	\$ 9,500,000	\$ 9,500,000	\$ -
Net change in fund balance	9,500,000	9,500,000	9,500,000	-
Fund balance - beginning of year	11,300,000	11,300,000	11,300,000	-
Fund balance - end of year	\$ 20,800,000	\$ 20,800,000	\$ 20,800,000	\$ -

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

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.

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 and 2004 limited tax general obligation refunding bonds. 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 priority building repairs of the District's facilities, including Americans with Disabilities Act and safety requirements. The principal funding source is property taxes.

COMBINING STATEMENTS

Nonmajor Governmental Funds (continued)

Capital Projects Funds

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

System Project Fund

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.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Governmental Funds
Combining Balance Sheet by Fund Types
June 30, 2005

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total
ASSETS				
Cash and cash equivalents	\$ 9,511,645	\$ -	\$ 2,126,875	\$ 11,638,520
Cash and cash equivalents with fiscal agents	-	290,040	-	290,040
Investments	-	-	5,691,547	5,691,547
Accounts and other receivables	476,118	-	7,274	483,392
Property and other taxes receivable	-	1,728,938	-	1,728,938
Due from other funds	650,000	-	-	650,000
Inventories	711,871	-	-	711,871
Total assets	<u>\$ 11,349,634</u>	<u>\$ 2,018,978</u>	<u>\$ 7,825,696</u>	<u>\$ 21,194,308</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 507,194	\$ -	\$ 380,711	\$ 887,905
Accrued salaries, wages and benefits payable	1,687,336	-	19,811	1,707,147
Due to other funds	22,688	673,865	-	696,553
Arbitrage rebate	-	-	43,678	43,678
Deferred revenues	-	1,567,062	-	1,567,062
Total liabilities	<u>2,217,218</u>	<u>2,240,927</u>	<u>444,200</u>	<u>4,902,345</u>
FUND BALANCES (DEFICIT)				
Unreserved	<u>9,132,416</u>	<u>(221,949)</u>	<u>7,381,496</u>	<u>16,291,963</u>
Total liabilities and fund balances	<u>\$ 11,349,634</u>	<u>\$ 2,018,978</u>	<u>\$ 7,825,696</u>	<u>\$ 21,194,308</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2005

	Student Body Activities Fund	Cafeteria Fund	Special Revenue Funds	BESC Cafeteria Fund	Total
ASSETS					
Cash and cash equivalents	\$ 2,750,331	\$ 1,349,309	\$ 5,411,905	\$ 100	\$ 9,511,645
Accounts and other receivables	58,123	20,473	379,974	17,548	476,118
Due from other funds	650,000	-	-	-	650,000
Inventories	-	693,891	-	17,980	711,871
Total assets	<u>\$ 3,458,454</u>	<u>\$ 2,063,673</u>	<u>\$ 5,791,879</u>	<u>\$ 35,628</u>	<u>\$ 11,349,634</u>
LIABILITIES					
Accounts payable and other current liabilities	\$ 203,937	\$ 219,911	\$ 72,286	\$ 11,060	\$ 507,194
Accrued salaries, wages and benefits payable	-	725,415	921,031	40,890	1,687,336
Due to other funds	-	-	-	22,688	22,688
Total liabilities	<u>203,937</u>	<u>945,326</u>	<u>993,317</u>	<u>74,638</u>	<u>2,217,218</u>
FUND BALANCES (DEFICIT)					
Unreserved	<u>3,254,517</u>	<u>1,118,347</u>	<u>4,798,562</u>	<u>(39,010)</u>	<u>9,132,416</u>
Total liabilities and fund balances	<u>\$ 3,458,454</u>	<u>\$ 2,063,673</u>	<u>\$ 5,791,879</u>	<u>\$ 35,628</u>	<u>\$ 11,349,634</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2005

	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					
with fiscal agents	\$ -	\$ -	\$ -	\$ 290,040	\$ 290,040
Investments	-	-	-	-	-
Property and other taxes receivable	-	-	-	1,728,938	1,728,938
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,018,978</u>	<u>\$ 2,018,978</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 673,865	\$ 673,865
Deferred revenues	-	-	-	1,567,062	1,567,062
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,240,927</u>	<u>2,240,927</u>
FUND BALANCES (DEFICIT)					
Unreserved	-	-	-	(221,949)	(221,949)
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,018,978</u>	<u>\$ 2,018,978</u>

*These funds have no balance sheet activity here, but they do have expenditure and transfer activity, shown on the Combining Statement of Revenues, Expenditures and Changes in Fund Balance.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2005

	System Project Fund	Facilities Improvement/ Technology Fund	Facilities Improvement II Fund	Total
ASSETS				
Cash and cash equivalents	\$ 227,258	\$ 1,639,298	\$ 260,319	\$ 2,126,875
Investments	246,547	4,312,000	1,133,000	5,691,547
Accounts and other receivables	315	5,511	1,448	7,274
Total assets	\$ 474,120	\$ 5,956,809	\$ 1,394,767	\$ 7,825,696
LIABILITIES				
Accounts payable and other current liabilities	\$ 11,869	\$ 338,320	\$ 30,522	\$ 380,711
Accrued salaries, wages and benefits payable		18,160	1,651	19,811
Arbitrage rebate	43,678	-	-	43,678
Total liabilities	55,547	356,480	32,173	444,200
FUND BALANCES				
Unreserved	418,573	5,600,329	1,362,594	7,381,496
Total liabilities and fund balances	\$ 474,120	\$ 5,956,809	\$ 1,394,767	\$ 7,825,696

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, 2005

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total
REVENUES				
Property and other taxes	\$ -	\$ 33,979,321	\$ -	\$ 33,979,321
Federal and state support	9,342,969	-	-	9,342,969
County and Intermediate sources	649,823	-	-	649,823
Charges for services	6,058,414	-	-	6,058,414
Extracurricular activities	6,872,478	-	-	6,872,478
Investment earnings	-	418,547	176,929	595,476
Other	2,849,392	-	191,368	3,040,760
Total revenues	<u>25,773,076</u>	<u>34,397,868</u>	<u>368,297</u>	<u>60,539,241</u>
EXPENDITURES				
Current Operating:				
Instruction				
Regular programs	10,169,821	-	-	10,169,821
Special programs	513,428	-	-	513,428
Summer school programs	278,766	-	-	278,766
Total instruction	<u>10,962,015</u>	<u>-</u>	<u>-</u>	<u>10,962,015</u>
Support services:				
Students	290,338	-	-	290,338
Instructional staff	441,669	-	22,842	464,511
General administration	10,807	-	-	10,807
School administration	447,246	-	-	447,246
Business	668,320	-	3,851	672,171
Central	58,286	-	650,496	708,782
Total support services	<u>1,916,666</u>	<u>-</u>	<u>677,189</u>	<u>2,593,855</u>
Enterprise and community services:				
Food services	13,744,335	-	-	13,744,335
Community services	14,350	-	-	14,350
Total enterprise and community services	<u>13,758,685</u>	<u>-</u>	<u>-</u>	<u>13,758,685</u>
Facilities acquisition and construction	-	-	5,274,400	5,274,400
Debt Service:				
Principal	-	41,405,000	-	41,405,000
Interest and fiscal charges	-	3,746,189	-	3,746,189
Total debt service	<u>-</u>	<u>45,151,189</u>	<u>-</u>	<u>45,151,189</u>
Total current expenditures	<u>26,637,366</u>	<u>45,151,189</u>	<u>5,951,589</u>	<u>77,740,144</u>
Excess of expenditures over revenues	<u>(864,290)</u>	<u>(10,753,321)</u>	<u>(5,583,292)</u>	<u>(17,200,903)</u>
OTHER FINANCING SOURCES				
Transfers in	143,618	8,274,927	-	8,418,545
Proceeds from the sale of property	270,823	-	-	270,823
Total other financing sources	<u>414,441</u>	<u>8,274,927</u>	<u>-</u>	<u>8,689,368</u>
Net change in fund balances	<u>(449,849)</u>	<u>(2,478,394)</u>	<u>(5,583,292)</u>	<u>(8,511,535)</u>
Fund balances - beginning of year	9,582,265	2,256,445	12,964,788	24,803,498
Fund balances/(deficit) - end of year	<u>\$ 9,132,416</u>	<u>\$ (221,949)</u>	<u>\$ 7,381,496</u>	<u>\$ 16,291,963</u>

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, 2005

	Student Body Activities Fund	Cafeteria Fund	Special Revenue Fund	BESC Cafeteria Fund	Total
REVENUES					
Federal and state support	\$ -	\$ 9,328,497	\$ 14,472	\$ -	\$ 9,342,969
County and Intermediate sources	-	-	649,823	-	649,823
Charges for services	-	3,378,628	2,108,880	570,906	6,058,414
Extracurricular activities	6,872,478	-	-	-	6,872,478
Other	-	16,644	2,832,748	-	2,849,392
Total revenues	<u>6,872,478</u>	<u>12,723,769</u>	<u>5,605,923</u>	<u>570,906</u>	<u>25,773,076</u>
EXPENDITURES					
Current operating:					
Instruction:					
Regular programs	6,995,512	-	3,174,309	-	10,169,821
Special programs	-	-	513,428	-	513,428
Summer school programs	-	-	278,766	-	278,766
Total instruction	<u>6,995,512</u>	<u>-</u>	<u>3,966,503</u>	<u>-</u>	<u>10,962,015</u>
Support services:					
Students	-	-	290,338	-	290,338
Instructional staff	-	-	441,669	-	441,669
General administration	-	-	10,807	-	10,807
School administration	-	-	447,246	-	447,246
Business	-	-	668,320	-	668,320
Central	-	-	58,286	-	58,286
Total support services	<u>-</u>	<u>-</u>	<u>1,916,666</u>	<u>-</u>	<u>1,916,666</u>
Enterprise and community services:					
Food services	-	13,129,597	-	614,738	13,744,335
Community services	-	-	14,350	-	14,350
Total enterprise and community services	<u>-</u>	<u>13,129,597</u>	<u>14,350</u>	<u>614,738</u>	<u>13,758,685</u>
Total current expenditures	<u>6,995,512</u>	<u>13,129,597</u>	<u>5,897,519</u>	<u>614,738</u>	<u>26,637,366</u>
Excess of expenditures over revenues	<u>(123,034)</u>	<u>(405,828)</u>	<u>(291,596)</u>	<u>(43,832)</u>	<u>(864,290)</u>
OTHER FINANCING SOURCES					
Transfers in	121,618	22,000	-	-	143,618
Proceeds from the sale of property	-	-	270,823	-	270,823
Total other financing sources	<u>121,618</u>	<u>22,000</u>	<u>270,823</u>	<u>-</u>	<u>414,441</u>
Net change in fund balances	(1,416)	(383,828)	(20,773)	(43,832)	(449,849)
Fund balances - beginning of year	3,255,933	1,502,175	4,819,335	4,822	9,582,265
Fund balances (deficit) - end of year	<u>\$ 3,254,517</u>	<u>\$ 1,118,347</u>	<u>\$ 4,798,562</u>	<u>\$ (39,010)</u>	<u>\$ 9,132,416</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, 2005

	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	\$ -	\$ -	\$ -	\$ 33,979,321	\$ 33,979,321
Investment earnings	-	-	5,178	413,369	418,547
Total revenues	-	-	5,178	34,392,690	34,397,868
EXPENDITURES					
Debt Service:					
Principal	4,375,000	1,255,000	1,100,000	34,675,000	41,405,000
Interest and fiscal charges	1,071,482	198,000	569,582	1,907,125	3,746,189
Total expenditures	5,446,482	1,453,000	1,669,582	36,582,125	45,151,189
Excess of expenditures over revenues	(5,446,482)	(1,453,000)	(1,664,404)	(2,189,435)	(10,753,321)
OTHER FINANCING SOURCES (USES)					
Transfers in	5,446,482	1,453,000	1,375,445	-	8,274,927
Net change in fund balances	-	-	(288,959)	(2,189,435)	(2,478,394)
Fund balances - beginning of year	-	-	288,959	1,967,486	2,256,445
Fund deficit - end of year	\$ -	\$ -	\$ -	\$ (221,949)	\$ (221,949)

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2005

	System Project Fund	Facilities Improvement/ Technology Fund	Facilities Improvement II Fund	Total
REVENUES				
Investment earnings	\$ 28,517	\$ 112,963	\$ 35,449	\$ 176,929
Other	-	191,368	-	191,368
Total revenues	<u>28,517</u>	<u>304,331</u>	<u>35,449</u>	<u>368,297</u>
EXPENDITURES				
Current operating:				
Support services:				
Instructional staff	-	22,842	-	22,842
Business	2,000	-	1,851	3,851
Central	280,173	370,323	-	650,496
Total support services	<u>282,173</u>	<u>393,165</u>	<u>1,851</u>	<u>677,189</u>
Facilities acquisition and construction	-	3,341,195	1,933,205	5,274,400
Total expenditures	<u>282,173</u>	<u>3,734,360</u>	<u>1,935,056</u>	<u>5,951,589</u>
Excess of expenditures over revenues	<u>(253,656)</u>	<u>(3,430,029)</u>	<u>(1,899,607)</u>	<u>(5,583,292)</u>
Fund balances - beginning of year	672,229	9,030,358	3,262,201	12,964,788
Fund balances - end of year	<u>\$ 418,573</u>	<u>\$ 5,600,329</u>	<u>\$ 1,362,594</u>	<u>\$ 7,381,496</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property and other taxes	\$ 154,350,107	\$ 154,350,107	\$ 139,167,411	\$ (15,182,696)
State School Fund	138,516,031	138,516,031	148,012,565	9,496,534
Local option taxes	17,417,697	17,417,697	31,750,751	14,333,054
County and intermediate sources	61,492,431	61,492,431	58,195,949	(3,296,482)
State Common School Fund	3,382,172	3,382,172	3,783,920	401,748
Charges for services	3,714,500	3,714,500	3,418,524	(295,976)
Investment earnings	725,000	725,000	2,422,210	1,697,210
Other	4,418,630	4,418,630	7,327,504	2,908,874
Total revenues	384,016,568	384,016,568	394,078,834	10,062,266
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	152,860,312	154,852,396	153,406,788	1,445,608
Materials and services	6,610,161	6,420,922	5,770,494	650,428
Total regular programs	159,470,473	161,273,318	159,177,282	2,096,036
Special programs:				
Salaries and benefits	49,101,617	50,123,594	51,207,592	(1,083,998)
Materials and services	14,677,711	13,635,422	12,895,874	739,548
Total special programs	63,779,328	63,759,016	64,103,466	(344,450)
Total instruction	223,249,801	225,032,334	223,280,748	1,751,586
Support services:				
Students:				
Salaries and benefits	29,597,666	29,805,596	29,550,421	255,175
Materials and services	2,761,347	2,589,614	1,249,509	1,340,105
Total students	32,359,013	32,395,210	30,799,930	1,595,280
Instructional staff:				
Salaries and benefits	9,045,976	9,387,126	9,134,873	252,253
Materials and services	2,625,531	2,654,969	1,377,861	1,277,108
Total instructional staff	11,671,507	12,042,095	10,512,734	1,529,361
General administration:				
Salaries and benefits	1,893,957	2,144,048	1,935,800	208,248
Materials and services	1,650,286	1,690,921	1,249,900	441,021
Total general administration	3,544,243	3,834,969	3,185,700	649,269
School administration:				
Salaries and benefits	26,178,878	27,205,142	26,763,132	442,010
Materials and services	219,825	259,455	172,171	87,284
Total school administration	26,398,703	27,464,597	26,935,303	529,294

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

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, 2005

	<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>		
Support services (continued):				
Business:				
Salaries and benefits	17,321,047	17,470,280	17,360,559	109,721
Materials and services	36,579,397	36,709,393	37,921,005	(1,211,612)
Total business	53,900,444	54,179,673	55,281,564	(1,101,891)
Central:				
Salaries and benefits	10,407,542	10,215,107	8,671,065	1,544,042
Materials and services	4,292,026	4,326,049	4,967,313	(641,264)
Total central	14,699,568	14,541,156	13,638,378	902,778
Community Services:				
Materials and services	-	-	49,043	(49,043)
Facilities acquisition & construction:				
Salaries and benefits	-	-	3,078	(3,078)
Materials and services	-	-	1,385,616	(1,385,616)
Total community services	-	-	1,388,694	(1,388,694)
Total support services	142,573,478	144,457,700	141,791,346	2,666,354
Other expenditures:				
Debt Service				
Principal	634,050	634,050	648,539	(14,489)
Interest	376,334	376,334	240,499	135,835
Total debt service	1,010,384	1,010,384	889,038	121,346
Total current expenditures	366,833,663	370,500,418	365,961,132	4,539,286
Operating contingency	11,580,883	7,914,128	-	7,914,128
Total expenditures	378,414,546	378,414,546	365,961,132	12,453,414
Excess of revenues over expenditures	5,602,022	5,602,022	28,117,702	22,515,680
OTHER FINANCING SOURCES (USES)				
Transfers out	(18,277,746)	(18,277,746)	(17,918,545)	359,201
Proceeds from the sale of property	100,000	100,000	8,446,406	8,346,406
Total other financing sources and (uses)	(18,177,746)	(18,177,746)	(9,472,139)	8,705,607
Net change in fund balance	(12,575,724)	(12,575,724)	18,645,563	31,221,287
Fund balance - beginning of year	12,575,724	12,575,724	13,190,954	615,230
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,836,517</u>	<u>\$ 31,836,517</u>

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Extracurricular activities	\$ 7,500,000	\$ 7,500,000	\$ 6,872,478	\$ (627,522)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs				
Materials and services	8,186,681	8,186,681	6,995,512	1,191,169
Excess of expenditures over revenues	(686,681)	(686,681)	(123,034)	563,647
OTHER FINANCING SOURCES				
Transfers in	186,681	186,681	121,618	(65,063)
Net change in fund balance	(500,000)	(500,000)	(1,416)	498,584
Fund balance - beginning of year	3,500,000	3,500,000	3,255,933	(244,067)
Fund balance - end of year	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,254,517</u>	<u>\$ 254,517</u>

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, 2005

	<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				
Charges for services	\$ 4,064,078	\$ 4,064,079	\$ 3,378,628	\$ (685,451)
Federal and state support	10,399,598	10,764,598	9,328,497	(1,436,101)
Other	-	-	16,644	16,644
Total revenues	<u>14,463,676</u>	<u>14,828,677</u>	<u>12,723,769</u>	<u>(2,104,908)</u>
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	7,096,605	7,558,796	6,825,574	733,222
Materials and services	<u>7,863,970</u>	<u>7,973,220</u>	<u>6,304,023</u>	<u>1,669,197</u>
Total food services	<u>14,960,575</u>	<u>15,532,016</u>	<u>13,129,597</u>	<u>2,402,419</u>
Excess of revenues over expenditures	(496,899)	(703,339)	(405,828)	297,511
OTHER FINANCING SOURCES				
Transfers in	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	-
Net change in fund balance	(474,899)	(681,339)	(383,828)	297,511
Fund balance - beginning of year	<u>750,000</u>	<u>956,440</u>	<u>1,502,175</u>	<u>545,735</u>
Fund balance - end of year	<u><u>\$ 275,101</u></u>	<u><u>\$ 275,101</u></u>	<u><u>\$ 1,118,347</u></u>	<u><u>\$ 843,246</u></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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
County and Intermediate sources	\$ 725,257	\$ 725,257	\$ 887,776	\$ 162,519
Federal and state support	60,707,325	66,807,325	59,560,066	(7,247,259)
Other	547,715	547,715	628,418	80,703
Total revenues	<u>61,980,297</u>	<u>68,080,297</u>	<u>61,076,260</u>	<u>(7,004,037)</u>
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	5,116,311	12,717,894	12,873,273	(155,379)
Materials and services	2,020,020	1,328,437	1,602,868	(274,431)
Total regular programs	<u>7,136,331</u>	<u>14,046,331</u>	<u>14,476,141</u>	<u>(429,810)</u>
Special programs:				
Salaries and benefits	20,918,293	17,886,318	15,315,325	2,570,993
Materials and services	9,434,984	7,516,959	5,792,366	1,724,593
Total special programs	<u>30,353,277</u>	<u>25,403,277</u>	<u>21,107,691</u>	<u>4,295,586</u>
Summer school programs:				
Salaries and benefits	10,517	80,149	101,957	(21,808)
Materials and services	39,999	10,367	9,037	1,330
Total summer school programs	<u>50,516</u>	<u>90,516</u>	<u>110,994</u>	<u>(20,478)</u>
Total instruction	<u>37,540,124</u>	<u>39,540,124</u>	<u>35,694,826</u>	<u>3,845,298</u>
Support Services:				
Students:				
Salaries and benefits	4,065,368	4,473,754	4,656,590	(182,836)
Materials and services	3,283,624	3,185,238	3,339,999	(154,761)
Total students	<u>7,348,992</u>	<u>7,658,992</u>	<u>7,996,589</u>	<u>(337,597)</u>
Instructional staff:				
Salaries and benefits	7,437,663	9,067,356	8,177,854	889,502
Materials and services	5,282,090	5,882,397	3,702,478	2,179,919
Total instructional staff	<u>12,719,753</u>	<u>14,949,753</u>	<u>11,880,332</u>	<u>3,069,421</u>
School administration:				
Salaries and benefits	1,134,926	1,318,261	1,445,407	(127,146)
Materials and services	684,206	930,871	931,550	(679)
Total school administration	<u>1,819,132</u>	<u>2,249,132</u>	<u>2,376,957</u>	<u>(127,825)</u>
Business:				
Salaries and benefits	71,726	87,240	104,325	(17,085)
Materials and services	15,107	209,593	178,049	31,544
Total business	<u>86,833</u>	<u>296,833</u>	<u>282,374</u>	<u>14,459</u>

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

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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Support Services (continued):				
Central:				
Salaries and benefits	609,431	696,250	690,481	5,769
Materials and services	377,686	410,867	354,796	56,071
Total central	987,117	1,107,117	1,045,277	61,840
Total support services	22,961,827	26,261,827	23,581,529	2,680,298
Enterprise and Community Services:				
Food Services:				
Materials and services	144,880	334,880	321,915	12,965
Total food services	144,880	334,880	321,915	12,965
Community Services:				
Salaries and benefits	983,751	1,228,495	977,541	250,954
Materials and services	349,715	714,971	500,449	214,522
Total community services	1,333,466	1,943,466	1,477,990	465,476
Total enterprise and community services	1,478,346	2,278,346	1,799,905	478,441
Total current expenditures	61,980,297	68,080,297	61,076,260	7,004,037
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

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

SCHOOL DISTRICT NO.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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 598,307	\$ 612,699	\$ 570,906	\$ (41,793)
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	350,142	364,534	402,271	(37,737)
Materials and services	244,800	244,800	212,467	32,333
Total food services	594,942	609,334	614,738	(5,404)
Excess (deficiency) of revenues over (under) expenditures	3,365	3,365	(43,832)	(47,197)
Fund balance - beginning of year	9,700	9,700	4,822	(4,878)
Fund balance (Deficit) - end of year	\$ 13,065	\$ 13,065	\$ (39,010)	\$ (52,075)

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
PERS Rate Stabilization Reserve Fund
Schedule of Changes in Fund Balance -
Budget and Actual
For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Transfers in	\$ 9,500,000	\$ 9,500,000	\$ 9,500,000	\$ -
Net change in fund balance	9,500,000	9,500,000	9,500,000	-
Fund balance - beginning of year	11,300,000	11,300,000	11,300,000	-
Fund balance - end of year	\$ 20,800,000	\$ 20,800,000	\$ 20,800,000	\$ -

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, 2005

	<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				
County and Intermediate sources	\$ 2,016,262	\$ 2,016,262	\$ 649,823	\$ (1,366,439)
Federal and state support	54,265	54,265	14,472	(39,793)
Charges for services	2,201,169	2,201,169	2,108,880	(92,289)
Other	3,311,019	3,311,019	2,832,748	(478,271)
Total revenues	7,582,715	7,582,715	5,605,923	(1,976,792)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	2,705,553	2,947,655	2,847,032	100,623
Materials and services	336,467	394,365	327,277	67,088
Total regular programs	3,042,020	3,342,020	3,174,309	167,711
Special programs:				
Salaries and benefits	2,100,542	1,713,566	79,864	1,633,702
Materials and services	124,864	661,840	433,564	228,276
Total special programs	2,225,406	2,375,406	513,428	1,861,978
Summer school programs:				
Salaries and benefits	41,197	461,991	246,092	215,899
Materials and services	465,329	44,535	32,674	11,861
Total summer school programs	506,526	506,526	278,766	227,760
Total instruction	5,773,952	6,223,952	3,966,503	2,257,449
Support Services:				
Students:				
Salaries and benefits	278,735	294,804	244,345	50,459
Materials and services	196,546	132,477	45,993	86,484
Total students	475,281	427,281	290,338	136,943
Instructional staff:				
Salaries and benefits	283,693	295,223	283,108	12,115
Materials and services	268,563	225,033	158,561	66,472
Total instructional staff	552,256	520,256	441,669	78,587
General administration:				
Salaries and benefits	3,202	2,618	3,872	(1,254)
Materials and services	6,970	12,554	6,935	5,619
Total general administration	10,172	15,172	10,807	4,365
School administration:				
Salaries and benefits	360,207	403,567	398,979	4,588
Materials and services	120,041	61,681	48,267	13,414
Total school administration	480,248	465,248	447,246	18,002

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

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services (continued):				
Business:				
Salaries and benefits	611	37	-	37
Materials and services	316,286	676,860	668,320	8,540
Total business	316,897	676,897	668,320	8,577
Central:				
Materials and services	18,681	63,681	58,286	5,395
Total support services	1,853,535	2,168,535	1,916,666	251,869
Enterprise and Community Services:				
Food Services:				
Materials and services	2,791	2,791	-	2,791
Community Services:				
Salaries and benefits	12,529	12,529	-	12,529
Materials and services	7,223	7,223	14,350	(7,127)
Total community services	19,752	19,752	14,350	5,402
Total enterprise and community service	22,543	22,543	14,350	8,193
Total current expenditures	7,650,030	8,415,030	5,897,519	2,517,511
Excess of expenditures over revenues	(67,315)	(832,315)	(291,596)	540,719
 OTHER FINANCING SOURCES				
Proceeds from the sale of property	67,315	67,315	270,823	203,508
 Net change in fund balance	-	(765,000)	(20,773)	744,227
Fund balance - beginning of year	2,000,000	2,765,000	4,819,335	2,054,335
Fund balance - end of year	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 4,798,562</u>	<u>\$ 2,595,054</u>

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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal	\$ 4,375,000	\$ 4,375,000	\$ 4,375,000	\$ -
Interest and fiscal charges	1,071,983	1,071,983	1,071,482	501
Total expenditures	5,446,983	5,446,983	5,446,482	501
OTHER FINANCING SOURCES				
Transfers in	5,446,483	5,446,483	5,446,482	(1)
Net change in fund balances	(500)	(500)	-	502
Fund balance - beginning of year	500	500	-	(500)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHOOL DISTRICT NO.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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal	\$ 1,255,000	\$ 1,255,000	\$ 1,255,000	\$ -
Interest and fiscal charges	198,000	198,000	198,000	-
Total expenditures	1,453,000	1,453,000	1,453,000	-
OTHER FINANCING SOURCES				
Transfers in	1,453,000	1,453,000	1,453,000	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHOOL DISTRICT NO.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, 2005

	<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	\$ -	\$ -	\$ 5,178	\$ 5,178
Total revenues	<u>-</u>	<u>-</u>	<u>5,178</u>	<u>5,178</u>
EXPENDITURES				
Debt Service:				
Principal	1,100,000	1,100,000	1,100,000	-
Interest and fiscal charges	569,582	569,582	569,582	-
Total expenditures	<u>1,669,582</u>	<u>1,669,582</u>	<u>1,669,582</u>	<u>-</u>
Excess of expenditures over revenues	(1,669,582)	(1,669,582)	(1,664,404)	5,178
OTHER FINANCING SOURCES (USES)				
Transfers in	1,669,582	1,669,582	1,375,445	(294,137)
Net change in fund balance	-	-	(288,959)	(288,959)
Fund balance - beginning of year	-	-	288,959	288,959
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

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

SCHOOL DISTRICT NO.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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Property and other taxes	\$ 34,092,125	\$ 34,092,125	\$ 33,979,321	\$ (112,804)
Investment earnings	240,000	240,000	413,369	173,369
Total revenues	34,332,125	34,332,125	34,392,690	60,565
EXPENDITURES				
Debt Service:				
Principal	34,675,000	34,675,000	34,675,000	-
Interest	1,907,125	1,907,125	1,907,125	-
Total expenditures	36,582,125	36,582,125	36,582,125	-
Excess of expenditures over revenues	(2,250,000)	(2,250,000)	(2,189,435)	60,565
Fund balance - beginning of year	2,250,000	2,250,000	1,967,486	(282,514)
Fund deficit - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (221,949)</u>	<u>\$ (221,949)</u>

Note: Bolded lines indicate legally required appropriation budget levels 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, 2005

	<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	\$ 2,500	\$ 2,500	\$ 28,517	\$ 26,017
EXPENDITURES				
Current Operating:				
Support Services:				
Business:				
Materials and services	2,000	2,000	2,000	-
Central:				
Salaries and benefits	2,271	2,271	8,302	(6,031)
Materials and services	424,011	424,011	271,871	152,140
Total central	<u>426,282</u>	<u>426,282</u>	<u>280,173</u>	<u>146,109</u>
Total Support Services	<u>428,282</u>	<u>428,282</u>	<u>282,173</u>	<u>146,109</u>
Total current expenditures	<u>428,282</u>	<u>428,282</u>	<u>282,173</u>	<u>146,109</u>
Excess of expenditures over revenues	(425,782)	(425,782)	(253,656)	172,126
Fund balance - beginning of year	425,782	425,782	672,229	246,447
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,573</u>	<u>\$ 418,573</u>

Note: Bolded lines indicate legally required appropriation budget levels 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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 547,853	\$ 547,853	\$ 112,963	\$ (434,890)
Other	-	-	191,368	191,368
Total revenues	<u>547,853</u>	<u>547,853</u>	<u>304,331</u>	<u>(243,522)</u>
EXPENDITURES				
Current Operating:				
Support Services:				
Instructional staff:				
Materials and services	22,858	22,858	22,842	16
Business:				
Materials and services	20,000	20,000	-	20,000
Central:				
Materials and services	355,136	355,136	370,323	(15,187)
Total support services	<u>397,994</u>	<u>397,994</u>	<u>393,165</u>	<u>4,829</u>
Facilities Acquisition & Construction:				
Salaries and benefits	345,055	345,055	310,456	34,599
Materials and services	4,747,983	4,747,983	3,030,739	1,717,244
Total Facilities Acquisition & Construction	<u>5,093,038</u>	<u>5,093,038</u>	<u>3,341,195</u>	<u>1,751,843</u>
Total expenditures	<u>5,491,032</u>	<u>5,491,032</u>	<u>3,734,360</u>	<u>1,756,672</u>
Excess of expenditures over revenues	(4,943,179)	(4,943,179)	(3,430,029)	1,321,782
Fund balance - beginning of year	7,252,149	7,252,149	9,030,358	1,778,209
Fund balance - end of year	<u>\$ 2,308,970</u>	<u>\$ 2,308,970</u>	<u>\$ 5,600,329</u>	<u>\$ 3,291,359</u>

Note: Bolded lines indicate legally required appropriation budget levels 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, 2005

	<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	\$ 23,200	\$ 23,200	\$ 35,449	\$ 12,249
EXPENDITURES				
Current Operating:				
Support Services:				
Business:				
Materials and services	4,000	4,000	1,851	2,149
Facilities Acquisition & Construction:				
Salaries and benefits	-	-	6,603	(6,603)
Materials and services	2,926,052	2,926,052	1,926,602	999,450
Total Facilities Acquisition & Construction	2,926,052	2,926,052	1,933,205	992,847
Total expenditures	2,930,052	2,930,052	1,935,056	994,996
Excess of expenditures over revenues	(2,906,852)	(2,906,852)	(1,899,607)	1,007,245
Fund balance - beginning of year	2,906,852	2,906,852	3,262,201	355,349
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,362,594</u>	<u>\$ 1,362,594</u>

Note: Bolded lines indicate legally required appropriation budget levels 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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 4,824,238	\$ 4,883,693	\$ 4,941,768	\$ 58,075
Investments	45,605	45,522	73,559	28,037
Insurance recoveries	-	-	156,446	156,446
Other	26,210	26,210	29,005	2,795
Total revenues	<u>4,896,053</u>	<u>4,955,425</u>	<u>5,200,778</u>	<u>245,353</u>
EXPENDITURES				
Current Operating:				
Support Services:				
Salaries and benefits	409,911	409,911	306,385	103,526
Materials and services	268,500	268,500	356,681	(88,181)
Claims expense	<u>4,157,053</u>	<u>4,216,425</u>	<u>3,401,045</u>	<u>815,380</u>
Total expenditures	<u>4,835,464</u>	<u>4,894,836</u>	<u>4,064,111</u>	<u>830,725</u>
Excess of revenues over expenditures	60,589	60,589	1,136,667	1,076,078
Fund balance - beginning of year	<u>250,000</u>	<u>250,000</u>	<u>239,157</u>	<u>(10,843)</u>
Fund balance - end of year	<u>\$ 310,589</u>	<u>\$ 310,589</u>	<u>1,375,824</u>	<u>\$ 1,065,235</u>
Less salaries and benefits accrued under GAAP			<u>(12,418)</u>	
Retained earnings at end of year, GAAP basis			<u>\$ 1,363,406</u>	

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

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OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund

Schedule of Property Tax Transactions
For the Year Ended June 30, 2005

Tax Year	Taxes		Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes	
	Uncollected June 30, 2004	Uncollected June 30, 2005						Uncollected June 30, 2004	Uncollected June 30, 2005
DISTRICT LEVIES									
Multnomah County:									
General Tax:									
Current Year	\$ -	\$ -	\$ 156,651,620	\$ (3,759,126)	\$ 88,265	\$ (1,301,014)	\$ (147,145,924)	\$ 4,533,821	\$ 4,533,821
Prior Years	4,607,813	4,607,813	10,129	10,129	204,651	(725,915)	(2,413,536)	1,683,142	1,683,142
	1,906,022	1,906,022	3,812	3,812	178,357	(162,588)	(1,015,204)	910,399	910,399
	963,875	963,875	4,160	4,160	135,049	(194,599)	(531,897)	376,588	376,588
	375,855	375,855	2,927	2,927	58,299	(48,320)	(282,704)	106,057	106,057
	78,093	78,093	2,541	2,541	(32,483)	4,348	(11,716)	40,783	40,783
	39,048	39,048	1,793	1,793	(33,522)	19,707	(7,866)	19,160	19,160
	27,987	27,987	1,918	1,918	(48,802)	45,544	(3,679)	22,968	22,968
	12,466	12,466	1,316	1,316	(43,996)	41,147	(719)	10,214	10,214
	128,984	128,984	1,940	1,940	(64,818)	73,644	(21,045)	118,705	118,705
Total General Tax:	8,140,143	8,140,143	156,651,620	(3,728,590)	441,000	(2,248,046)	(151,434,290)	7,821,837	7,821,837
Local Option Taxes:									
Current Year	-	-	17,983,364	(431,542)	10,133	(149,354)	(16,892,125)	520,476	520,476
Prior Year	539,251	539,251	1,185	1,185	23,950	(84,954)	(282,456)	196,976	196,976
	217,528	217,528	435	435	20,355	(18,556)	(115,862)	103,900	103,900
	105,029	105,029	453	453	14,716	(21,204)	(57,958)	41,036	41,036
	37,693	37,693	294	294	5,846	(4,846)	(28,350)	10,637	10,637
Total Local Option Taxes:	899,501	899,501	17,983,364	(429,175)	75,000	(278,914)	(17,376,751)	873,025	873,025
Cancel/Omit									
Current Year	-	-	431,413	(10,352)	243	(3,583)	(405,234)	12,487	12,487
Prior Year	9,602	9,602	21	21	427	(1,513)	(5,030)	3,507	3,507
Total Cancel/Omit Taxes:	9,602	9,602	431,413	(10,331)	670	(5,096)	(410,264)	15,994	15,994
Total Multnomah County:	9,049,246	9,049,246	175,066,397	(4,168,096)	516,670	(2,532,056)	(169,221,305)	8,710,856	8,710,856
Washington County:									
All Years ¹			1,275,256				(1,275,256)		
Clackamas County:									
All Years ¹			150,898				(150,898)		
Total All Counties:	\$ 9,049,246	\$ 9,049,246	\$ 176,492,551	\$ (4,168,096)	\$ 516,670	\$ (2,532,056)	\$ (170,647,459)	\$ 8,710,856	\$ 8,710,856

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, 2005 were considered immaterial.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund
Schedule of Property Tax Transactions
For the Year Ended June 30, 2005

Reconciliation to Financial Statements:	
Property tax collections for the year ended June 30, 2005	\$ 170,647,459
Non-levied tax revenue received for the year ended June 30, 2005	419,915
Uncollected property taxes at June 30, 2005	\$ 8,710,856
Uncollected property taxes susceptible to accrual at June 30, 2005	827,433 (812,547)
Non-levied tax revenue susceptible to accrual at June 30, 2005	8,455 (8,150)
Property taxes & non-levy rev susceptible to accrual at June 30, 2004, and collected during the year ended June 30, 2005	<u>(985,099)</u>
Total property taxes - General Fund	<u>\$ 170,918,163</u>
Total Deferred Revenues - General Fund	<u>\$ 7,890,159</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Debt Service Funds
Schedule of Property Tax Transactions
For the Year Ended June 30, 2005

Tax Year	Taxes Uncollected June 30, 2004	Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes Uncollected June 30, 2005
DISTRICT LEVIES							
Multnomah County:							
Bond Tax:							
Current Year	\$ -	\$ 34,826,024	\$ (835,711)	\$ 19,623	\$ (289,235)	\$ (32,712,764)	1,007,937
Prior Years	1,061,804	2,334	913	47,159	(167,278)	(556,164)	387,855
	456,186		814	42,688	(38,915)	(242,978)	217,894
	188,545		563	26,417	(38,066)	(104,045)	73,665
	72,349		521	11,222	(9,301)	(54,418)	20,415
	15,995		349	(6,653)	890	(2,400)	8,353
	7,612		483	(6,534)	3,841	(1,533)	3,735
	7,045		194	(12,287)	11,468	(926)	5,783
	1,839		(829,540)	(6,492)	6,071	(106)	1,506
Total Multnomah County:	<u>1,811,375</u>	<u>34,826,024</u>	<u>(829,540)</u>	<u>115,143</u>	<u>(520,525)</u>	<u>(33,675,334)</u>	<u>1,727,143</u>
Washington County:							
All Years ¹		249,073				(249,073)	
Clackamas County:							
All Years ¹		29,334				(29,334)	
Total All Counties:	<u>\$ 1,811,375</u>	<u>\$ 35,104,431</u>	<u>\$ (829,540)</u>	<u>\$ 115,143</u>	<u>\$ (520,525)</u>	<u>\$ (33,953,741)</u>	<u>\$ 1,727,143</u>
Reconciliation to Financial Statements:							
Property tax collections for the year ended June 30, 2005						\$ 33,953,741	
Non-levied tax revenue received for the year ended June 30, 2005						31,700	\$ 1,727,143
Uncollected property taxes at June 30, 2005						161,370	(158,463)
Uncollected property taxes susceptible to accrual at June 30, 2005						1,678	(1,618)
Non-levied tax revenue susceptible to accrual at June 30, 2005						(169,168)	
Property taxes & non-levy rev susceptible to accrual at June 30, 2004, and collected during the year ended June 30, 2005						\$ 33,979,321	
Total property taxes - Debt Service Funds							<u>\$ 1,567,062</u>
Total Deferred Revenues - Debt Service Funds							

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, 2005 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
Schedule By Source
June 30, 2005

Governmental funds capital assets:

Land	\$ 8,774,770
Buildings and site improvements	311,920,419
Vehicles and equipment	33,146,031
Construction in progress	2,991,619
Total governmental funds capital assets	\$ 356,832,839

Investments in governmental funds capital assets by source:

General fund	\$ 145,153,342
Special Revenue funds	2,326,462
Capital Projects funds	209,353,035
Total governmental funds capital assets	\$ 356,832,839

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2005

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Site Improvements</u>	<u>Vehicles and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:					
Instruction	\$ 6,767,270	\$ 284,987,083	\$ 2,082,143	\$ 2,955,679	\$ 296,792,175
Supporting services	2,007,500	26,922,876	30,021,783	26,249	58,978,408
Food services	-	10,460	1,042,105	9,691	1,062,256
Total governmental funds capital assets	<u>\$ 8,774,770</u>	<u>\$ 311,920,419</u>	<u>\$ 33,146,031</u>	<u>\$ 2,991,619</u>	<u>\$ 356,832,839</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, 2005

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2005</u>
General government				
Instruction	\$ 294,710,413	\$ 7,128,119	\$ 5,046,357	\$ 296,792,175
Supporting services	57,446,023	1,650,348	117,963	58,978,408
Food services	890,179	172,077	-	1,062,256
Total governmental funds capital assets	<u>\$ 353,046,615</u>	<u>\$ 8,950,544</u>	<u>\$ 5,164,320</u>	<u>\$ 356,832,839</u>

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, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

Financial Highlights

- ◆ The net assets of Portland Public Schools in the government-wide financial statements were \$260,440,796. Of this amount, \$189,650,919 was invested in capital assets, net of related debt and the remainder, \$70,789,877, is technically considered unreserved, but the District has \$7,381,496 committed to debt-financed programs.
- ◆ At June 30, 2005, the General Fund had an unreserved fund balance of \$31.8 million, an increase of \$18.6 million from June 30, 2004. This increase is attributable to the District's efforts to hold down costs and build reserves to prepare for the expiration of certain tax revenues in the future. Revenues were higher than anticipated due to the non-recurring proceeds from the sale of assets and a one-time refund from the Health and Welfare Trust.
- ◆ The District incurred no new debt in the current year and was able to pay off the General Obligation Bond Series 1996.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Portland Public Schools' basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains 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 and 13 of this report.

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial

statements, governmental fund financial statements focus on *near-term* inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term 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 designates three major governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Grant Fund, and the PERS Rate Stabilization Reserve Fund, all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 14-16 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 various functions. The District uses an internal service fund to account for its Self-Insurance activities. Because Portland Public Schools has no business-type functions, this service benefits governmental functions and has been included within the governmental activities in the governmental-wide financial statements.

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

The basic internal service fund financial statements can be found on pages 17-19 of this report

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20-36 of this report.

Required Supplementary Information (RSI) is located directly after the notes to the basic financial statements and represent the required comparison of the budget and actual results on the District's budgetary basis for the General Fund and the Grant Fund. This information is on pages 37-42.

The **Combining Statements** referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 43-52 of this report.

Government-Wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of Portland Public Schools, assets exceeded liabilities by \$260,440,796 at the close of the most recent fiscal year.

	Governmental Activities		Change
	2004	2005	2004-2005
Assets			
Current and other assets	\$ 142,480,484	\$ 161,328,392	13.2%
Prepaid PERS unfunded actuarial liability	486,071,587	485,029,169	-0.2%
Net capital assets	<u>224,098,220</u>	<u>216,757,810</u>	-3.3%
Total Assets	<u>852,650,291</u>	<u>863,115,371</u>	1.2%
Liabilities			
Non PERS related long-term debt outstanding	79,987,337	37,906,891	-52.6%
PERS unfunded actuarial liability debt outstanding	490,727,875	489,685,459	-0.2%
Other liabilities	<u>75,478,168</u>	<u>75,082,225</u>	-0.5%
Total Liabilities	<u>646,193,380</u>	<u>602,674,575</u>	-6.7%
Net Assets			
Invested in capital assets, net of related debt	156,010,883	189,650,919	21.6%
Unrestricted	<u>50,446,028</u>	<u>70,789,877</u>	40.3%
Total Net Assets	<u>\$ 206,456,911</u>	<u>\$ 260,440,796</u>	26.1%

By far the largest portion of the District's net assets (73%) 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. During the current fiscal year the District's net assets increased by \$53,983,885, which resulted from the reduction in long-term debt of \$43.1 million and an increase in State School Fund revenue of \$ 7.4 million due to the State's reconciliation of prior year amounts. In addition, the District benefited from the sales proceeds of two former school sites (Glenhaven and Washington High School) totaling \$7.5 million and the \$1.1 million prepayment on the note receivable for the sale of the KBPS FM Radio Station. Increased interest earnings and a one-time refund from the Health & Welfare Trust added another \$4.2 million. Furthermore, the District continued its aggressive efforts to realize savings from cost cutting measures.

The revenues and expenses shown below outline changes in net assets for the fiscal years 2004 and 2005.

Changes in Net Assets	Governmental Activities		% of	Change
	2004	2005	Total	2004-2005
Revenues				
Program Revenues				
Charges for services	\$ 9,650,171	\$ 9,476,938	1.8%	-1.8%
Operating grants and contributions	69,603,337	78,702,180	15.1%	13.1%
Total Program Revenues	79,253,508	88,179,118	16.9%	11.3%
General Revenues				
Property taxes	198,020,926	204,428,691	39.2%	3.2%
State school fund	183,619,106	148,012,565	28.4%	-19.4%
Common school fund	1,251,379	3,783,920	0.7%	202.4%
County and intermediate sources	50,805,630	59,733,548	11.5%	17.6%
Investment earnings	1,786,274	3,091,245	0.6%	73.1%
Other	6,383,011	8,492,966	1.6%	33.1%
Gain on disposal of fixed assets	5,492,841	5,786,238	1.1%	5.3%
Total General Revenues	447,359,167	433,329,173	83.1%	-3.1%
Total Revenues	526,612,675	521,508,291	100.0%	-1.0%
Expenses				
Instruction	264,429,734	278,166,226	59.5%	5.2%
Supporting services	160,120,687	167,788,692	35.9%	4.8%
Enterprise and community services	13,734,717	15,424,600	3.3%	12.3%
Non-capital facilities maintenance & replacement	9,177,488	2,225,437	0.5%	-75.8%
Interest on long-term debt	5,381,506	3,919,451	0.8%	-27.2%
Total Expenses	452,844,132	467,524,406	100.0%	3.2%
Increase in net assets	73,768,543	53,983,885	20.7%	-26.8%
Net assets - beginning	132,688,368	206,456,911	79.3%	55.6%
Net assets - ending	\$ 206,456,911	\$ 260,440,796	100.0%	26.1%

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 82.5% of the funding required for governmental programs. Property taxes and State school fund combined account for 68.3% of general revenues and 72.5% of total revenues.

Charges for services are only 1.8% 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.	\$ 3,949,534
◆ Tuition is charged for all-day kindergarten, evening high school, out-of-district students, summer school, and driver's education.	2,646,931
◆ Facilities leverages District buildings by leasing and renting classrooms, gymnasiums, swimming pools, auditoriums, and entire vacant buildings.	1,855,014
◆ Athletics charges pay-to-play fees and sells tickets to events and games.	641,988
◆ Other sales, royalties, and events generate revenue, including commission on exclusive beverage contract.	383,471
Total Charges for Services:	\$ 9,476,938

Operating grants and contributions represent 15.4% of total revenues. Included in this category are \$9.3 million for federal reimbursement under the school lunch program and \$6.9 million raised or donated by student body activities. Federal and state grants for designated programs totaled \$59.6 million.

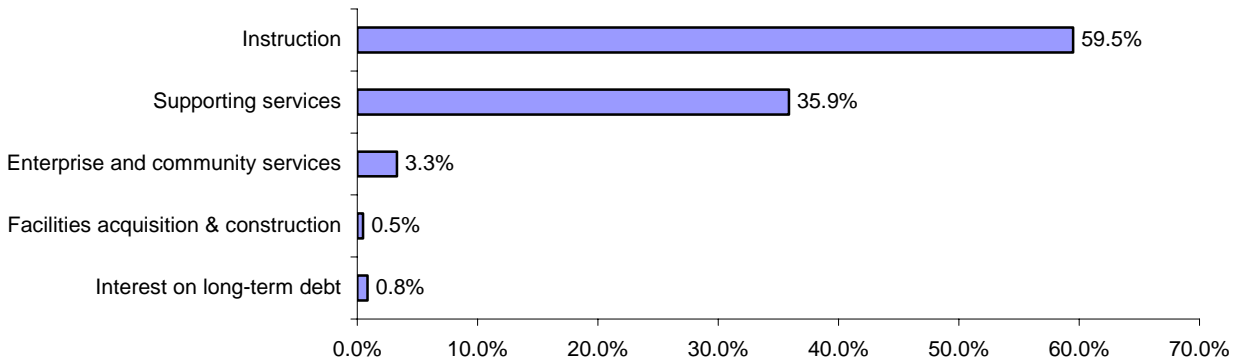
Expenses. Expenses related to governmental activities are presented in five broad functional categories. Costs of direct classroom instruction activities account for 59.5% of the total expenses of \$467,524,406. In addition, 35.9% of the costs in supporting services relate to students, instructional staff and school administration.

Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Revenue (Expense)		Percentage
	2004	2005	Change	2004	2005	Change
Instruction	\$ 264,429,734	\$ 278,166,226	5.2%	\$ (220,323,681)	\$ (230,501,587)	4.6%
Supporting services	160,120,687	167,788,692	4.8%	(139,918,454)	(142,352,149)	1.7%
Enterprise and community services	13,734,717	15,424,600	12.3%	1,210,505	(346,664)	-128.6%
Non-capital facilities maintenance & replacement	9,177,488	2,225,437	-75.8% *	(9,177,488)	(2,225,437)	-75.8%
Interest on long-term debt	5,381,506	3,919,451	-27.2%	(5,381,506)	(3,919,451)	-27.2%
Total	\$ 452,844,132	\$ 467,524,406	3.2%	\$ (373,590,624)	\$ (379,345,288)	1.5%

* Presentation change in 2005

Expenses by Service Type Fiscal Year 2005



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.

General Fund. The General Fund is the main operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$31,836,517, which was an increase of \$18,645,563. Key factors in this growth are as follows:

- ◆ The Board of Education is strongly committed to financial accountability and acknowledges that establishing and maintaining adequate reserves is a critical component of prudent financial management. The Board chose to build reserves to prepare for the transition anticipated as the local option property tax and the capital bonds expired in June 2005 and the temporary County income tax will expire in June 2006.
- ◆ State revenue and the Multnomah County Income Tax: The Multnomah County Income Tax ("ITAX") is a temporary three-year tax passed by the voters to allow time for the State legislature to address needs for adequate and stable funding for K-12 education. The actual ITAX collections totaled \$47.8 million. The State adjusted its payments under the State School Funding Formula to distribute \$7.4 million due to prior year reconciliations.
- ◆ City of Portland revenue: The City of Portland again provided tangible support to the District by providing \$4 million per year for three years beginning in 2003-04 generated through increases in business license fees.
- ◆ District revenue: One-time proceeds from the sale of assets included \$7.5 million from Glenhaven and Washington High School and \$1.1 million prepayment on the note receivable from the sale of KBPS FM Radio Station. In addition, the Health & Welfare Trust refunded \$2.4 million of its excess reserves to the District.

The District is also committed to efficient, effective operations and has undertaken many initiatives to streamline business processes and reduce on-going costs. Highlights of successful efforts include:

- ◆ Working closely with our unions to control health care costs. The Portland Association of Teachers (PAT) agreed to a premium cost sharing with their members paying 6% of the monthly premium beginning September 1, 2004, and reduced health benefits by \$75 per member per month effective February 1, 2005. The Portland Federation of Teachers and Classified Employees (PFTCE) agreed to a cap of \$694 per member per month on the District's contribution through January 2005, increasing to \$764 on February 1, 2005. The members of the SEIU and all non-represented employees agreed to a cap of \$756 per employee per month. The District Council of Unions (DCU) contract expired on June 30, 2004, and is still in negotiation.
- ◆ Support Services departments absorbed most inflationary cost increases, including contracted bus services, IT-related maintenance contracts, a full bus replacement cycle, and functions previously funded by the now-depleted IT capital funds.
- ◆ Central Academic Support Team is a cross-organizational team composed of academic and academic support offices to help coordinate with each other and building administrators to remove barriers to student achievement and support schools and programs. The participating offices relied on internal cost shifting among departments to absorb cost increases in services and supplies, as well as undertake such new initiatives as hiring a student discipline coordinator and creating an office of school choice.

Grant Fund. Of the \$61 million in federal and state grants received in 2004-05, \$20.2 million represents funding for Title I and other Title funds targeted to provide additional services to students disadvantaged by poverty, to support migrant education, innovative programs, and safe and drug-free schools. Another approximately \$7.7 million was received for special education. Head Start, National Science Foundation, Voluntary Public School Choice, and Carl Perkins Grants (alternative education) also provide significant funding to their respective programs.

PERS Rate Stabilization Reserve Fund. The PERS Rate Stabilization Reserve Fund was established to achieve several objectives: (1) to help minimize large fluctuations in the PERS rate assessed on salaries and wages to repay the PERS unfunded actuarial liability borrowing relative to the District's participation in the Oregon School Boards Association Pension Bond Program; (2) to provide prudent reserves to mitigate the investment risk inherent in the PERS system; and (3) to set aside and not spend all the savings generated by legislative reforms in the PERS pension plans, pending the outcome of the related Supreme Court case on the constitutionality of the changes. The \$20.8 million balance at June 30, 2005, was established through transfers from the General Fund. The Supreme Court upheld most of the legislative changes and reversed others. The PERS established rate for school districts for 2003-2005 was 11.11%, whereas the District's combined rate for PERS (0.64%) and debt service on the pension bonds (7.8%) was 8.44%.

General Fund Budgetary Highlights

The budget was adjusted during the year to react to changing resources, primarily, declines in state funding. The changes can be briefly summarized as follows:

- ◆ The original budget was adjusted by moving \$3.7 million from contingency and adding \$1.8 million to Instruction and \$1.9 million to Support Services, reflecting decisions by the Board to maintain or enhance programs in the schools.
- ◆ Actual revenues exceeded the final budgeted revenues by a net \$11.2 million. This is primarily attributable to an increase under the State School Fund of \$9.5 million due to prior year reconciliations. There was also a one-time refund from the Health & Welfare Trust of \$2.4 million and interest revenue exceeded budget by \$1.7 million, as interest rates again began to rise after being at historical lows. These gains were offset by the Multnomah County Income Tax collections falling short of budgeted amounts by \$2.3 million.
- ◆ Sales proceeds from the disposition of fixed assets are typically not budgeted. The sale of Glenhaven and Washington High School occurred in this fiscal year.
- ◆ Actual expenditures were \$12.4 million less than final budget. \$3.2 million is attributable to salaries and benefits, which are underspent by 0.8% of budget. Charter Schools spent \$1 million less than budgeted due to an approved charter delaying opening after the budget was adopted and other charters having lower enrollment than forecast. Tuition to private and other schools was reduced by \$2.3 million as students were placed in district programs. Revised contingency of \$7.9 million remained unspent and became part of the ending fund balance. Savings were offset by increased costs in utilities, costs related to the disposition of assets, and professional service contracts.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets includes land, building and improvements, vehicles and equipment, and construction in progress. As of June 30, 2005, the District had invested \$216.8 million in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of accumulated depreciation)	Total School District		Percentage Change
	Governmental Activities		
	2004	2005	2004-2005
Land	\$ 9,049,378	\$ 8,774,770	-3.0%
Buildings	185,925,208	186,388,732	0.2%
Vehicles & Equipment	15,651,716	18,602,689	18.9%
Construction in Progress	13,471,918	2,991,619	-77.8%
Total	\$ 224,098,220	\$ 216,757,810	-3.3%

During the year 2004-05, the District's investment in capital assets decreased by \$7.3 million. This was due to current depreciation of \$ 14.5 million exceeding new additions of \$9 million, less disposals of \$5.2 million in assets plus \$3.4 million in related accumulated depreciation. 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 cost of \$8.1 million to buildings and site improvements. Construction in progress as of the close of fiscal year had reached \$3.0 million.
- ◆ During the year \$5.2 million of capital assets were disposed, which included two former school sites (Glenhaven and Washington High School) as well as the Benson House. The accumulated depreciation related to these assets was \$3.4 million.

Additional information on the District's capital assets can be found in Note 7 on page 28 of this report.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$527,592,350. Of this amount, \$500,485,459 represents limited tax obligation debt, and \$27,106,891 comprises debt backed by the full faith and credit of the District. The District's total debt decreased by \$43,122,862 during the current fiscal year.

Outstanding Long-Term Debt	Total School District		Percentage Change 2004-2005
	Governmental Activities		
	2004	2005	
General obligation bonds	\$ 34,675,000	\$ -	-100.0%
PERS limited tax general obligation bonds	490,727,875	489,685,459	-0.2%
Other long-term debt	45,312,337	37,906,891	-16.3%
Total	\$ 570,715,212	\$ 527,592,350	-7.6%

In May 2004 the District issued Full Faith and Credit Refunding Bonds, Series 2004, in the principal aggregate amount of \$11,900,000. The proceeds were used to refund the Limited Tax General Obligation Refunding Bonds, Series 1998. The 1998 Bonds were designated by the District as "gap bonds" when Measure 50 (Article XI, Section 11 of the Oregon Constitution) was implemented. That designation allowed the District to avoid reductions in the portion of its levy that paid the 1998 Bonds, in exchange for accepting a lower operating tax rate limit. Initially this designation benefited the District by giving it more tax revenues to pay costs of public education.

Measure 50 and its implementing legislation allow the District to refund the 1998 Bonds and not designate the Refunding Bonds as gap bonds. When the District did this, its operating tax rate limit increased. Senate Bill 550 of the 2003 Legislative Assembly provided that this increase would not be treated as "local revenues" under the State School Funding Formula, and would not, therefore, be offset by reductions in the District's State School Fund grant through fiscal year 2004-05. The amount of the increase in tax revenues that results from the increase in the operating tax rate limit will exceed the debt service on the Refunding Bonds, so issuing the Refunding Bonds will increase tax revenues that are available to the District to pay costs of public education in fiscal year 2004-2005. Thus the District obtains a favorable reorganization of its permanent debt structure.

In May 2004 Standard & Poor's lowered the District's debt rating for full faith and credit obligations from an "A" to an "A-" rating and lowered the rating for general obligation and limited tax general obligation bonds from and "A+" to an "A" rating. At the same time, Standard & Poor's assigned its "A-" rating to the \$11.975 million full faith and credit refunding bonds (federally taxably) series 2004. Standard & Poor's cited the District's weakened financial position due in part to state revenue declines and decreasing enrollments as rationale for the rating decision. Yet it declared the outlook stable for the District, based on the expectation that the District will adequately manage potential revenue and expenditure risks on the horizon. Moody's Investors Service also lowered its rating on the District's full faith and credit obligations from "A1" to "A2" and gave an "A2" rating to the \$11.975 million full faith and credit refunding bonds (federally taxably) series 2004, citing consecutive years of negative general fund balances. At the same time, Moody's affirmed the "Aa3" rating on the general obligation bonds, reflecting Moody's expectation that the District will recover somewhat in the near term.

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 \$4,039,060,000, which is significantly in excess of the District's outstanding general obligation debt.

PERS is Oregon's public pension system. Under a pension plan, the actuarial liability is the present value of the plan's current and expected benefits payments (plus administrative expenses). If a fund's actuarial liability exceeds its assets, then the fund has a shortfall that is known as an unfunded actuarial liability ("UAL"). The portion of the PERS UAL attributable to Oregon education districts was estimated at over \$1.68 billion based on the 2002 valuation. PERS requires that school districts pay (or "amortize") this UAL over a period of approximately 26 years with interest at 8% a year. Since interest rates have been at historic lows, an opportunity to benefit from interest rate arbitrage was created.

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

Additional information on the District’s long-term debt can be found in Note 9 on page 29 of this report.

Economic Factors and Next Year’s Budgets

- ◆ The concerted efforts of many volunteers and the generous support of the voters of Multnomah County resulted in the failure of Measure 26-64 that would have repealed the Multnomah County Income Tax. This income tax is expected to generate approximately \$50 million in revenue in 2005-06 before it expires June 30, 2006. The School Board is diligently pursuing other funding solutions to present to voters at the May 2006 election.
- ◆ For the third year in a row, unemployment rates in the Portland-Vancouver metropolitan area have been among the highest in the nation, remaining at 7.2%, which is only slightly lower than the State rate at 7.4%.
- ◆ Negotiations with some of the District’s various bargaining units were in process during the 2004-05 fiscal year. The Portland Association of Teachers reached agreement with the District in September 2005. The teachers received a 3% salary increase in 2004-05 and will receive another 2.75% increase in 2005-06. The teachers also agreed to certain reductions in health benefits and to premium cost sharing whereby the employee will contribute 6% of the premium cost in year one of the contract and 7% in year two. This settlement increased expenditures for 2004-05 by approximately \$5 million over the adopted budget. The nutrition services workers (SEIU Local 503) settled their contract in September 2005, agreeing to a 1% wage increase effective January 2004 and another ½% wage increase effective June 30, 2005. The health care cap was increased from \$600 per member per month to \$756 per month. The District Council of Unions continues in on-going negotiations on its contract that expired June 30, 2004. The classified union, the Portland Federation of Teachers and Classified Employees, has a contract that expired June 30, 2005.
- ◆ The five-year local option property tax levy, which generated about \$32 million in 2004-05, expired in June 2005. Also expired in June 2005 is the law that set aside desegregation funding of \$7.6 million. In addition, the capital bonds are virtually fully spent and are paid off by the end of June 2005. The Board will decide when to pursue asking the voters for additional capital bonds and for how much. Depending on how the bonds are structured, and if the current tax rate were maintained, the capital bonds could generate between \$150 million and \$300 million.

Both elections would require a double majority (50% voter turnout and 50% voting “yes”) unless held at a November general election in an even-numbered year. The timing of when such ballot measures may be pursued is being evaluated in coordination with the expiration of the local income tax discussed above and the potential local revenue solutions that are being formulated.

Requests for Information

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 84,658,358
Cash and cash equivalents held by fiscal agents	3,767,279
Cash held in trust	174,594
Investments	31,232,494
Accounts and other receivables	21,230,954
Property taxes and other taxes receivable	10,249,002
Inventories	1,830,670
Prepaid items	14,492
Prepaid PERS actuarial liability	485,029,169
Bond issue costs, net of accumulated amortization	4,383,049
Noncurrent Assets:	
Note receivable - Due in more than one year	3,787,500
Capital Assets, net of accumulated depreciation:	
Land	8,774,770
Buildings and capital improvements	186,388,732
Vehicles and equipment	18,602,689
Construction in progress	2,991,619
Total assets	<u>863,115,371</u>
LIABILITIES	
Accounts payable	11,010,779
Accrued wages and benefits	58,244,056
Claims payable	4,869,961
Accrued bond interest payable	191,779
Arbitrage rebate	43,678
Deferred revenues	721,972
Noncurrent Liabilities:	
Bonds payable - Due within one year	14,174,123
Bonds payable - Due in more than one year	513,418,227
Total liabilities	<u>602,674,575</u>
NET ASSETS	
Invested in capital assets, net of related debt	189,650,919
Unrestricted	70,789,877
Total net assets	<u><u>\$ 260,440,796</u></u>

The notes to the basic 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, 2005

<u>Functions/Programs</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 278,166,226	\$ 3,672,390	\$ 43,992,249	\$ (230,501,587)
Support services	167,788,692	1,855,014	23,581,529	(142,352,149)
Enterprise and Community Services	15,424,600	3,949,534	11,128,402	(346,664)
Non-capital facilities maintenance & replacement	2,225,437	-	-	(2,225,437)
Interest and fees on long-term debt	3,919,451	-	-	(3,919,451)
Total governmental activities	<u>\$ 467,524,406</u>	<u>\$ 9,476,938</u>	<u>\$ 78,702,180</u>	<u>(379,345,288)</u>
 GENERAL REVENUES (UNRESTRICTED):				
Property taxes, levies for operations				138,698,619
Property taxes, levies for debt service				33,979,321
Local option taxes				31,750,751
State School Fund				148,012,565
State Common School Fund				3,783,920
County and intermediate sources				59,733,548
Investment earnings				3,091,245
Other				8,255,466
Gain on disposal of capital assets				6,023,738
Total general revenues				<u>433,329,173</u>
Change in net assets				53,983,885
Net assets - beginning of year				<u>206,456,911</u>
Net assets - end of year				<u>\$ 260,440,796</u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Governmental Funds
Balance Sheet
June 30, 2005

	<u>General Fund</u>	<u>Grant Fund</u>	<u>PERS Rate Stabilization Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 70,618,636	\$ 1,200	\$ -	\$ 11,638,520	\$ 82,258,356
Cash and cash equivalents held by fiscal agents	3,477,239	-	-	290,040	3,767,279
Cash held in trust	174,594	-	-	-	174,594
Investments	824,947	-	20,800,000	5,691,547	27,316,494
Accounts and other receivables	4,688,255	16,021,548	-	483,392	21,193,195
Property taxes and other taxes receivable	8,520,064	-	-	1,728,938	10,249,002
Due from other funds	7,658,564	-	-	650,000	8,308,564
Inventories	1,118,799	-	-	711,871	1,830,670
Prepaid Items	14,492	-	-	-	14,492
Total assets	<u>\$ 97,095,590</u>	<u>\$ 16,022,748</u>	<u>\$ 20,800,000</u>	<u>\$ 21,194,308</u>	<u>\$ 155,112,646</u>
LIABILITIES					
Accounts payable	\$ 8,765,634	\$ 1,272,717	\$ -	\$ 887,905	\$ 10,926,256
Accrued wages and benefits	48,153,280	7,066,048	-	1,707,147	56,926,475
Due to other funds	650,000	6,962,011	-	696,553	8,308,564
Arbitrage rebate	-	-	-	43,678	43,678
Deferred revenues	7,690,159	721,972	-	1,567,062	9,979,193
Total liabilities	<u>65,259,073</u>	<u>16,022,748</u>	<u>-</u>	<u>4,902,345</u>	<u>86,184,166</u>
FUND BALANCES					
Unreserved, reported in:					
General Fund	31,836,517	-	-	-	31,836,517
Special revenue funds	-	-	20,800,000	9,132,416	29,932,416
Capital projects funds	-	-	-	7,381,496	7,381,496
Debt service funds	-	-	-	(221,949)	(221,949)
Total fund balances	<u>31,836,517</u>	<u>-</u>	<u>20,800,000</u>	<u>16,291,963</u>	<u>68,928,480</u>
Total liabilities and fund balances	<u>\$ 97,095,590</u>	<u>\$ 16,022,748</u>	<u>\$ 20,800,000</u>	<u>\$ 21,194,308</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.	216,757,810
Long-term taxes receivable are not available to pay for current-period expenditures and therefore, are deferred in the funds.	9,257,221
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,363,406
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(527,592,350)
PERS unfunded liability payment is not reported as a prepayment in the funds and therefore, is expensed in the the funds.	485,029,169
Bond issue costs are not amortized over the life of the bonds in the funds and therefore are expensed in the year of the bond issue.	4,383,049
Notes receivable are not collectable in the current period and therefore are not reported in the funds.	3,787,500
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(1,281,710)
Bond interest is not accrued as a liability in the government funds.	(191,779)
Net assets of governmental activities	<u>\$ 260,440,796</u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2005

	General Fund	Grant Fund	PERS Rate Stabilization Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property and other taxes	\$ 139,167,411	\$ -	\$ -	\$ 33,979,321	\$173,146,732
State School Fund	148,012,565	-	-	-	148,012,565
Local option taxes	31,750,751	-	-	-	31,750,751
County and intermediate sources	58,195,949	887,776	-	649,823	59,733,548
State Common School Fund	3,783,920	-	-	-	3,783,920
Federal and state support	-	59,560,066	-	9,342,969	68,903,035
Charges for services	3,418,524	-	-	6,058,414	9,476,938
Extracurricular activities	-	-	-	6,872,478	6,872,478
Investment earnings	2,422,210	-	-	595,476	3,017,686
Other	7,327,504	628,418	-	3,040,760	10,996,682
Total revenues	<u>394,078,834</u>	<u>61,076,260</u>	<u>-</u>	<u>60,539,241</u>	<u>515,694,335</u>
EXPENDITURES					
Current Operating:					
Instruction	223,280,748	35,694,826	-	10,962,015	269,937,589
Support services	141,791,346	23,581,529	-	2,593,855	167,966,730
Enterprise and Community Services	-	1,799,905	-	13,758,685	15,558,590
Non-capital facilities maintenance and replacement	-	-	-	5,274,400	5,274,400
Debt Service:					
Principal	648,539	-	-	41,405,000	42,053,539
Interest	240,499	-	-	3,746,189	3,986,688
Total expenditures	<u>365,961,132</u>	<u>61,076,260</u>	<u>-</u>	<u>77,740,144</u>	<u>504,777,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,117,702</u>	<u>-</u>	<u>-</u>	<u>(17,200,903)</u>	<u>10,916,799</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	9,500,000	8,418,545	17,918,545
Transfers out	(17,918,545)	-	-	-	(17,918,545)
Proceeds from the sale of property	8,446,406	-	-	270,823	8,717,229
Total other financing sources (uses)	<u>(9,472,139)</u>	<u>-</u>	<u>9,500,000</u>	<u>8,689,368</u>	<u>8,717,229</u>
Net change in fund balances	18,645,563	-	9,500,000	(8,511,535)	19,634,028
Fund balances - beginning of year	13,190,954	-	11,300,000	24,803,498	49,294,452
Fund balances - end of year	<u>\$ 31,836,517</u>	<u>\$ -</u>	<u>\$20,800,000</u>	<u>\$ 16,291,963</u>	<u>\$ 68,928,480</u>

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

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, 2005

Net change in fund balances - total governmental funds (page 15) \$ 19,634,028

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 depreciation in the current period of \$14,559,963 exceeded capital outlays of \$8,950,544. (5,609,419)

Governmental funds do not report the uncollected portion of revenue from the sale of an asset in the current year if a note is issued. Revenue is recorded at the time the note payment is received. This is the amount that the prior year note was reduced in the current year. (962,500)

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred revenue related to property taxes. (468,792)

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 income of that fund for the year. 1,132,909

Revenues need to be reduced by the net book value of capital assets sold. This equates to the depreciated cost of assets sold. (1,730,991)

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. 42,956,596

Governmental funds reported the prepayment of the PERS unfunded actuarial liability as an other financing use in prior years. However, in the statement of activities the expense is the amortization of the prepaid asset. (1,042,418)

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	(132,126)
Change in bond interest payable	206,598

Change in net assets of governmental activities (page 13) \$ 53,983,885

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Proprietary Fund - Internal Service Fund
Statement of Net Assets
June 30, 2005

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,400,002
Investments	3,916,000
Accounts and other receivables	<u>37,759</u>
Total assets	<u>6,353,761</u>

LIABILITIES

Current Liabilities

Accounts payable and other current liabilities	84,523
Accrued salaries, wages and benefits payable	35,871
Claims payable	<u>4,869,961</u>
Total liabilities	<u>4,990,355</u>

NET ASSETS

Unrestricted	<u><u>\$ 1,363,406</u></u>
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The notes to the basic financial statements are an integral part of this financial statement.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Proprietary Fund - Internal Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2005

OPERATING REVENUES

Current Operating:	
Charges for services	\$ 4,941,768
Insurance recoveries	156,446
Other	<u>29,005</u>
Total revenues	<u>5,127,219</u>

OPERATING EXPENSES

Current Operating:	
Salaries and benefits	310,143
Materials and services	356,681
Claims expense	<u>3,401,045</u>
Total expenses	<u>4,067,869</u>
Operating income	1,059,350

NON-OPERATING REVENUES

Investment earnings	<u>73,559</u>
Net income	1,132,909
Net assets - beginning of year	<u>230,497</u>
Net assets - end of year	<u><u>\$ 1,363,406</u></u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Proprietary Fund - Internal Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from interfund services provided and used	\$ 4,941,768
Cash received from insurance recoveries	815,918
Cash received from miscellaneous transactions	29,005
Cash payments for salaries and benefits	(311,469)
Cash payments for goods and services	<u>(3,936,217)</u>
Net cash used by operating activities	<u>1,539,005</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments	(1,564,000)
Investment earnings	<u>73,559</u>
Net cash provided by investing activities	<u>(1,490,441)</u>
Net increase in cash and cash equivalents	48,564
Cash and cash equivalents at beginning of year	<u>2,351,438</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,400,002</u></u>

RECONCILIATION OF OPERATING INCOME TO

CASH USED BY OPERATING ACTIVITIES

Operating income	\$ 1,059,350
Adjustment to reconcile operating income to net cash used by operating activities:	
Decrease in accounts receivable	659,472
Decrease in accounts payable	(234,580)
Increase in claims payable	56,089
Decrease in accrued salaries, and wages and benefits payable	<u>(1,326)</u>
Total adjustments	<u>479,655</u>
Net cash used by operating activities	<u><u>\$ 1,539,005</u></u>

Non cash activities: None

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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 reports no component units, entities for which the government is considered to be financially accountable, due to the insignificance of the potential component units. The District 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 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 except that interfund services provided and used are not eliminated in the process of consolidation.

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

Separate financial statements are provided for governmental funds and the Self-Insurance Fund, an internal service fund, 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. In the internal service fund, all revenues and expenses except interest earnings, are considered to be related to operations. 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 Basic Financial Statements
For the Year Ended June 30, 2005

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

PERS Rate Stabilization Reserve – Accounts for the reserves needed to help minimize large fluctuations in the PERS rate assessed on salaries and wages to repay the PERS unfunded actuarial liability borrowing relative to the District's participation in the Oregon School Boards Association Pension Bond Program. Sole revenue source is operating transfers from the General Fund.

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 resources for the fund are charges to other funds and investment earnings. The activity and balances of this fund are included in the governmental activities in the government-wide financial statements. All revenues except for investment revenue is considered operating revenue.

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 by fund for each legally adopted annual operating budget at the following levels of control, as appropriate:

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

Capital outlay expenditures are appropriated within the instruction and supporting services levels of control. Debt service expenditures in the General Fund are 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.

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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. The District had no supplemental budgets and three appropriation transfers during the 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.

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 year. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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
Vehicles	5

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>Excess Coverage per Occurrence</u>
General and Automobile Liabilities	\$1,000,000	\$ 5,000,000
Property and Fire Liabilities	1,000,000	100,000,000
Earthquake and Flood Liabilities	1,000,000	50,000,000
Workers' Compensation Liabilities	1,000,000	Unlimited

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. Compensated absences are not reported as liabilities in the governmental funds because they have not "matured," meaning they are not yet payable to the employee.

Vested compensated absences include accrued vacation and salary related payments. The amounts expected to be liquidated with expendable available financial resources are accrued in the fund, and 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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

can be accumulated. Accumulated sick leave does not vest and is forfeited at resignation, retirement or death. Sick leave is recorded as an expenditure 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.

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.

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.

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

NOTE 2- BUDGETARY BASIS OF ACCOUNTING

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 budgetary statements provided as part of supplementary information are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NOTE 3 - STATE CONSTITUTIONAL PROPERTY TAX LIMITS

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

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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, 2005 was \$5.2781 per \$1,000 of assessed value.

NOTE 4 – DEPOSITS AND INVESTMENTS

A. Deposits

Deposits with financial institutions include bank demand deposit accounts, time certificates of deposit, savings accounts, and deposits in the Oregon Local Government Investment Pool (LGIP), all as allowed by state statutes and the District's investment policy. At June 30, 2005, the carrying amount of the District's deposits was \$67,843,290 and the statement balances was \$70,488,184. Of that amount \$100,000 was covered by federal depository insurance, and certificates of collateral, in conformity with Oregon law, were available up to \$114,500,000 to cover these deposits.

B. Investments

Generally accepted accounting principles require investments with a remaining maturity of more than one year at the time of purchase to be stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn.

The LGIP does not report all investments at fair value in accordance with the provisions of GASB Statement No. 31. The LGIP is required by Oregon Revised Statutes (ORS) to compute the fair value of all investments maturing more than 270 days from the date the computation is made. If the fair value totals more than one percent of the balance of the LGIP in terms of unrealized gain or loss, the amount is required to be distributed to the pool participants. Fifty percent of the LGIP portfolio must mature within 93 days. Up to 25% of the LGIP portfolio may mature in over one year and no investment may mature in over three years. At June 30, 2005, the District's share of the amount of unrealized gain reported by the LGIP, in accordance with ORS, was considered immaterial.

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

As of June 30, 2005, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S government agency securities	\$ 31,232,494	0.1260
Oregon Local Government Investment Pool	<u>16,989,662</u>	0.0000
Total investments	<u>\$ 48,222,156</u>	
Portfolio weighted average maturity		<u>0.0816</u>

Interest rate risk

In accordance with its investment policy, the District manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investment portfolio to less than two months.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2005

Credit risk

Oregon Revised Statutes authorize school districts to invest in obligations of the U.S. Treasury, agencies and instrumentalities of the United States, commercial paper, bankers' acceptances guaranteed by a qualified financial institution, repurchase agreements, interest bearing bonds of any city, county, port or school district in Oregon (subject to specific standards), and the 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. The District's investments in U.S. government securities are not required to be rated. Investments in US government agency securities are rated AAA by Standard and Poors, and A1P1 by Moody's Investors Service.

Concentration of credit risk-investments

The District's investment policy, and ORS 294.035, does not allow for an investment in any one user that is in excess of five percent of the District's total investment.

Custodial risk- deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Oregon laws require governmental deposits to be made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the District. This does not constitute full collateral of deposits, but meets Oregon legal requirements.

Custodial credit risk-investments

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

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

The deposits and investments, as well as our balance sheet classification are as follows:

Cash and cash equivalents held by fiscal agents	\$ 3,767,279
Cash held in trust in Local Government Investment Pool	174,594
Local Government Investment Pool	16,989,662
Cash in segregated accounts	2,750,331
Demand accounts	64,913,005
Petty cash	5,360
Total cash, cash equivalents	88,600,231
U.S government agency securities	31,232,494
Total cash, cash equivalents and investments	\$ 119,832,725

Balance sheet classification:

Cash and cash equivalents:	
Governmental funds	\$ 82,258,356
Proprietary fund	2,400,002
Total cash and cash equivalents	84,658,358
Cash and cash equivalents held by fiscal agents:	
Governmental funds	3,767,279
Cash held in trust:	
Governmental funds	174,594
Investments:	
Governmental funds	27,316,494
Proprietary fund	3,916,000
Total Investments	31,232,494
Total cash, cash equivalents and investments	\$ 119,832,725

NOTE 5 – RECEIVABLES

Receivables as of year-end are summarized as follows:

Receivables:	Fund Type					Total
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	
Taxes	\$ 8,520,064	\$ -	\$ 1,728,938	\$ -	\$ -	\$ 10,249,002
Interest	80,334	-	-	7,274	-	87,608
Accounts	4,510,200	476,118	-	-	37,759	5,024,077
Federal, state and local grants	-	16,021,548	-	-	-	16,021,548
Advances to employees	97,721	-	-	-	-	97,721
Accounts and other receivables	4,688,255	16,497,666	-	7,274	37,759	21,230,954
Total Receivables	\$ 13,208,319	\$ 16,497,666	\$ 1,728,938	\$ 7,274	\$ 37,759	\$ 31,479,956

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

NOTE 6 – NOTE RECEIVABLE

Effective December 15, 2003 the District sold the broadcast license and certain insignificant capital assets of the public broadcasting FM station operated by the District to a not-for-profit foundation that will continue to operate the station. The terms of the sale include a down payment of \$750,000 and principal payments as detailed below. Interest accrues on these receivables at 5% for four years and 2% over the prime rate for the next six years. During the year the District received a payment of \$1,200,000 for this note. The District considers these receivables to be collectable, and, accordingly, no allowance for doubtful accounts has been provided.

Payments are scheduled to be received in the fiscal years ending June 30:

	Payments	Interest	Principal reduction/ (addition)
2006	\$ 100,000	\$ 189,375	\$ (89,375)
2007	100,000	193,844	(93,844)
2008	100,000	198,536	(98,536)
2009	375,000	284,848	90,152
2010	375,000	278,537	96,463
2011 - 2014	4,737,394	854,754	3,882,640
Total	\$ 5,787,394	\$ 1,999,894	\$ 3,787,500

NOTE 7 – CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets for the year ended June 30, 2005, follows:

Description	Balance June 30, 2004	Additions	Deletions	Reclassification	Balance June 30, 2005
Land (non-depreciable)	\$ 9,049,378	\$ -	\$ (274,608)	\$ -	\$ 8,774,770
Buildings & site improvements	303,060,900	5,640,384	(4,884,712)	8,103,847	311,920,419
Vehicles and equipment	27,464,419	1,831,851	(5,000)	3,854,761	33,146,031
Construction in progress	13,471,918	1,478,309	-	(11,958,608)	2,991,619
Total General Fixed Assets	353,046,615	8,950,544	(5,164,320)	-	356,832,839
Accumulated depreciation:					
Buildings & site improvements	(117,135,692)	(11,824,324)	3,428,329	-	(125,531,687)
Vehicles and equipment	(11,812,703)	(2,735,639)	5,000	-	(14,543,342)
Total accumulated depreciation	(128,948,395)	(14,559,963)	3,433,329	-	(140,075,029)
Total governmental assets	\$ 224,098,220	\$ (5,609,419)	\$ (1,730,991)	\$ -	\$ 216,757,810

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

Instruction	\$ 11,377,196
Supporting services	3,094,238
Food services	88,529
	\$ 14,559,963

NOTE 8 – INTERFUND BALANCES

The interfund balances are in place to eliminate a temporary negative cash position in the Grant Fund and to invest a portion of the fund balance of the Student Body Activities Fund monies in higher yielding investments held by the General Fund.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

The composition of interfund balances as of June 30, 2005, is as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 7,658,564	\$ 650,000
Grant Fund	-	6,962,011
Non-major governmental funds	650,000	696,553
Total all funds	<u>\$ 8,308,564</u>	<u>\$ 8,308,564</u>

NOTE 9 - BONDED AND OTHER LONG-TERM DEBT

Changes in long-term debt of the District during fiscal year 2005 were as follows:

	<u>Principal Balance July 1, 2004</u>	<u>Additions</u>	<u>Repayments</u>	<u>Principal Balance June 30, 2005</u>
General Obligation Bonds, Series 1996	\$ 34,675,000	\$ -	\$ (34,675,000)	\$ -
Limited Tax General Obligation Refunding Bonds, Series 2002	209,557,835	-	(1,042,416)	208,515,419
Limited Tax General Obligation Refunding Bonds, Series 2003	281,170,040	-	-	281,170,040
Limited Tax General Obligation Refunding Bonds, Series 2004	11,900,000	-	(1,100,000)	10,800,000
Certificates of Participation (COP), Series 1999	23,810,000	-	(4,375,000)	19,435,000
Refunding Special Obligations, 1993 Series A	3,960,000	-	(1,255,000)	2,705,000
Small Scale Energy Loan Programs	5,642,337	-	(675,446)	4,966,891
Total General Long-term Obligations	<u>\$ 570,715,212</u>	<u>\$ -</u>	<u>\$ (43,122,862)</u>	<u>\$ 527,592,350</u>

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 were payable annually through June 2003. Interest was 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. These bonds were repaid in full at year end.

In October 2002 Portland Public Schools participated as one of forty-one Oregon school districts and education service districts in issuing limited tax pension bonds, the proceeds 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. In April 2003 OSBA sponsored another pooled limited tax pension bond program with thirty school districts and

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2005

education service districts. The District records the amounts deposited with PERS as a prepayment on its actuarial obligation, and accounts for the payment of principal, interest and the amortization of the prepayment as pension expense over the life of the bonds. The District anticipates that the total costs of financing the District's actuarial obligation in this way will result in a significant savings to the District when compared to paying for such costs in additional contribution rates to PERS.

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 Pensions Obligations were issued on October 31, 2002, and are payable annually through June 2028. Interest on the deferred interest bonds is accreted semiannually at yields ranging from 2.06% to 6.10%. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.48% to 5.55%. The Series 2002A Obligations are not subject to optional prepayment prior to maturity. The Series 2002B Obligations maturing June 30, 2021 shall be subject to prepayment from Pension prepayments on or after June 30, 2007, and Obligations due June 30, 2028 are subject to mandatory prepayment prior to its stated maturity, in whole or part, on any June 30 on or after June 30, 2024.

The District issued \$281,170,040 Limited Tax Pension Obligations, Series 2003 (Federally Taxable), of which \$124,800,040 are Series 2003A (deferred interest obligations) and \$156,370,000 are Series 2003B (current interest obligations). The Series 2003 Limited Tax Pensions Obligations were issued on April 30, 2003, and are payable annually through June 2028. Interest on the deferred interest bonds is accreted semiannually at yields ranging from 1.50% to 6.27%. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.63% to 5.68%. The bonds are federally taxable and are not subject to optional prepayment prior to their stated maturities.

In fiscal year 2004 the 1998 series refunding bonds were advance refunded, with proceeds of the Limited Tax General Obligation Refunding Bonds, Series 2004. The 2004 series refunding bonds are payable annually through June 15, 2013. Interest is payable semi-annually at rates ranging from 2.190% to 5.518%. The bonds are federally taxable and are not subject to redemption prior to their stated maturities.

The 1999 series Certificates of Participation (COP) 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.

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 financial statements. At June 30, 2005, \$ 7,050,181 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 underwriting and other issuance costs). Simultaneous

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For the Year Ended June 30, 2005

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.

Federal arbitrage restrictions apply to substantially all debt. Any liabilities to the federally government are accrued and paid semi-annually.

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

Fiscal Year	Limited Tax	Certificates of Participation	Refunding Special Obligations	SELP Loans	Totals
Principal:					
2006	\$ 7,627,674	\$ 4,555,000	\$ 1,320,000	\$ 671,449	\$ 14,174,123
2007	8,022,111	4,750,000	1,385,000	702,226	14,859,337
2008	9,502,172	4,955,000	-	734,457	15,191,629
2009	9,711,957	5,175,000	-	768,205	15,655,162
2010	10,991,375	-	-	723,745	11,715,120
2011-2015	59,072,403	-	-	1,326,746	60,399,149
2016-2020	59,895,543	-	-	40,063	59,935,606
2021-2025	173,477,224	-	-	-	173,477,224
2026-2030	162,185,000	-	-	-	162,185,000
Principal Total	<u>500,485,459</u>	<u>19,435,000</u>	<u>2,705,000</u>	<u>4,966,891</u>	<u>527,592,350</u>
Interest:					
2006	\$ 18,654,648	\$ 889,922	\$ 135,250	\$ 211,103	\$ 19,890,923
2007	19,054,773	696,334	69,250	180,326	20,000,683
2008	19,770,332	489,708	-	148,095	20,408,135
2009	20,428,159	271,688	-	114,347	20,814,194
2010	21,549,637	-	-	80,261	21,629,898
2011-2015	127,304,522	-	-	100,866	127,405,388
2016-2020	176,011,087	-	-	780	176,011,867
2021-2025	128,638,098	-	-	-	128,638,098
2026-2030	16,673,098	-	-	-	16,673,098
Interest Total	<u>548,084,354</u>	<u>2,347,652</u>	<u>204,500</u>	<u>835,778</u>	<u>551,472,284</u>
Total Debt Service	<u>\$ 1,048,569,813</u>	<u>\$ 21,782,652</u>	<u>\$ 2,909,500</u>	<u>\$ 5,802,669</u>	<u>\$ 1,079,064,634</u>

NOTE 10 – INTERFUND TRANSFERS

The District made transfers from the General Fund of \$8,274,927 to Debt Service Funds to fund bond payments; \$9,500,000 to the PERS Rate Stabilization Fund to use for stabilization of fluctuations in PERS rates, and; \$121,618 to the Student Body Fund and \$22,000 to the Cafeteria Fund to disburse vending machines commissions.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

The composition of interfund transfers as of June 30, 2005, is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 17,918,545
Non-major governmental funds	<u>17,918,545</u>	<u>-</u>
Total all funds	<u>\$ 17,918,545</u>	<u>\$ 17,918,545</u>

NOTE 11- DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System (PERS)

Plan Description. The District contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service.

Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment 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, which is invested in the OPSRP Individual Account Program. The District is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2005 were 0.64% and 8.04% respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost. The District's contributions to PERS for the years ending December 31, are shown below and are equal to the required contribution for the year. During 2002-03, the District issued limited tax pension bonds, the proceeds of which were used to finance a portion of its estimated unfunded actuarial liability. (See Note 9)

Annual PERS pension expenditures for the fiscal years ended June 30:

	<u>Required contribution to PERS</u>	<u>Annual Debt Service</u>	<u>Total PERS Pension Cost</u>
2003	\$ 20,433,361	\$ 5,774,195	\$ 26,207,556
2004	1,445,640	19,786,878	21,232,518
2005	2,500,339	18,643,323	21,143,662

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

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 2005 the General Fund incurred expenditures of \$3,400,339 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 12 - 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 District-paid benefits for up to 60 months or until reaching the age 65, whichever comes first. The District also pays for one-half of the dependent benefit costs during the benefit period. The program was established under separate collective bargaining agreements with certificated and classified employees and by precedent for all other District employees.

Funding Policy. The District pays for the benefits 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 2005 the General Fund recognized expenditures of \$3,412,653 for the post-employment healthcare benefits.

NOTE 13 - 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.

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For the Year Ended June 30, 2005

The Self-Insurance Fund recognized the following amounts of revenues from other funds for the year ended June 30, 2005.

General Fund	\$ 4,180,514
Cafeteria Fund	83,646
Grant Fund	590,482
Special Revenue Funds	76,915
BESC Cafeteria Fund	5,373
System Project Fund	4,529
Facilities Improvement/Technology Fund	<u>309</u>
Total	<u><u>\$ 4,941,768</u></u>

Changes in the balances of claims liabilities during the years ended June 30, 2001 through June 30, 2005 were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>New Claims</u>	<u>Payments on Claims</u>	<u>Ending Balance</u>
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
2003	5,046,000	4,020,205	4,020,205	5,046,000
2004	5,046,000	6,710,172	6,942,300	4,813,872
2005	4,813,872	3,401,045	3,344,956	4,869,961

NOTE 14– COMMITMENTS AND CONTINGENCIES

- The District has commitments for several capital construction projects to enhance and repair the District's educational facilities. Such commitments will be paid from existing capital projects funds. The outstanding commitments for these projects at June 30, 2005 total \$6,836,191. In addition, the District has a contract for custodial services extending through July 14, 2005 that will require a minimum payment of \$2,027,050 after June 30, 2005.
- Additionally, the District has a contract to provide duplication services to various District facilities which will require minimum payments of \$1,279,087, \$1,279,087 and \$1,279,087 in the years ending June 30, 2006, 2007 and 2008, respectively.

NOTE 15 – COMPONENT UNITS AND OTHER ACTIVITIES

The District sponsors five charter schools under the provisions of the Oregon Revised Statutes. The students attending these charter schools are primarily District students. The District is required by ORS 338.155 and the charters with the schools to provide a percentage of the State's allocation to these schools for each student enrolled in them. This allocation is 80% for elementary and middle schools and 95% for high schools of the general purpose grant per ADMw, as calculated by ODE, to the charter schools. Under the requirements of the Governmental Accounting Standards Board (GASB), such schools are component units of the District. These charter schools are not reported as component units of the District, because they are individually and collectively immaterial to the District's financial statements. The pass-through of the State School Fund revenue provided to these charter schools is included in the expenditures and expenses of the District. Financial information on the charter schools can be obtained by contacting the Office of Educational Options at Portland Public Schools.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2005

The School District No. 1 Health and Welfare Trust (the Trust”) provides health and welfare benefits for District employees who are members of the Portland Association of Teachers (PAT), the Portland Federation of Teachers and Classified Employees (PFTCE), and the District Council of Unions (DCU). The Trust was established by collective bargaining agreements. The governing Board of Trustees is composed of trustees appointed by management of the District and of each bargaining unit, respectively, such that management-designated Trustees and union-designated Trustees have an equal number of votes. The Trust does not meet the criteria of GASB Statements No. 14 or 39 for inclusion in the financial statements as a component unit.

The Portland Schools Foundation is an independent, non-profit organization dedicated to providing leadership and funding for excellence, innovation and equity in education for children attending Portland Public Schools; engaging students, teachers, parents and the community in support of quality public education; and advocating for resources, policies and legislation to improve public schools in Portland. The Portland Schools Foundation does not meet the criteria of GASB Statements No. 14 or 39 for inclusion in the financial statements as a component unit.

NOTE 16 – DEFICIT FUND BALANCES

At June 30, 2005 the following funds had deficit fund balances which have been determined by the Oregon Department of Revenue to be in violation of Oregon Local Budget Law:

BESC Cafeteria Fund	\$ (39,010)
General Obligation Bonds Debt Service Fund	\$ (221,949)

NOTE 17 – SUBSEQUENT EVENTS

Donation from the Bill and Melinda Gates Foundation and the Meyer Memorial Trust

A three year grant award of nearly \$9 million has been made by the Bill and Melinda Gates Foundation and the Meyer Memorial Trust to raise student achievement, dramatically expand teacher training, rework middle and high school curriculum and improve the delivery of services to schools. This exciting award by Gates and Meyer will allow the District to increase the pace and scale of the work already begun at middle and high schools and to have an impact on student achievement, not in a decade, but this year, next year, and the year after.

Ball Replacement School at New Columbia

The Board of Education voted to participate with partners to build a new state-of-the-art school on the campus at New Columbia, a mixed-income planned community project of the Housing Authority of Portland. The new school will replace Ball Elementary School and will be the first new school construction since 1997. It is only the second school built in the past thirty years and the third school built since the mid-sixties. In the absence of capital bond funding, the replacement of Ball is being financed by a combination of New Markets Tax Credits, donated land and dollars, and loans. The project, which is supported by private fundraising and a significant contribution from the Housing Authority of Portland, incorporates shared space with the Boys & Girls Club of Portland, and utilizes a new gym being constructed by Portland Parks and Recreation at the University Park Community Center. Slated to open in September 2006, the entire project is valued at \$20 million but will cost the school district less than \$10.5 million as a result of the partnership with HAP, the Boys & Girls Club and the use of New Market Tax Credits.

Custodians

The Oregon Supreme Court, in a 4-3 decision, ruled against the Portland Public School District in a case brought by the school district's former custodians. In 2002, faced with a severe financial shortfall, Portland Public Schools decided to contract out for custodial services. The Board of Education's decision

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2005

to contract out the custodial services was not made lightly, and only after months of bargaining with the custodians' union while schools faced extreme budget pressure. Prior to the layoff, the District received two legal rulings confirming its authority to contract out services: one from the Multnomah County Circuit Court, and the other from the Employee Relations Board. In the last three years, PPS has faced constant legal challenges to this decision from the custodians. Until this ruling, the District had prevailed in every case and appeal, before the Oregon Employee Relations Board, Multnomah County Circuit Court judges, the U.S. District Court, and in the Oregon Court of Appeals.

The District is seeking reconsideration of the Supreme Court's decision. The Court's decision does not specify any remedy, therefore any potential cost to the District is not measurable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information

1. No budgetary expenditures in excess of appropriations occurred during the year.
2. The budgetary basis of accounting for all funds is modified accrual, which is the same as that required by generally accepted accounting principles. Accordingly, no reconciliation of budgetary to generally accepted accounting principles activity is required.

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property and other taxes	\$ 154,350,107	\$ 154,350,107	\$ 139,167,411	\$ (15,182,696)
State School Fund	138,516,031	138,516,031	148,012,565	9,496,534
Local option taxes	17,417,697	17,417,697	31,750,751	14,333,054
County and intermediate sources	61,492,431	61,492,431	58,195,949	(3,296,482)
State Common School Fund	3,382,172	3,382,172	3,783,920	401,748
Charges for services	3,714,500	3,714,500	3,418,524	(295,976)
Investment earnings	725,000	725,000	2,422,210	1,697,210
Other	4,418,630	4,418,630	7,327,504	2,908,874
Total revenues	384,016,568	384,016,568	394,078,834	10,062,266
EXPENDITURES				
Current operating:				
Instruction:				
Regular programs:				
Salaries and benefits	152,860,312	154,852,396	153,406,788	1,445,608
Materials and services	6,610,161	6,420,922	5,770,494	650,428
Total regular programs	159,470,473	161,273,318	159,177,282	2,096,036
Special programs:				
Salaries and benefits	49,101,617	50,123,594	51,207,592	(1,083,998)
Materials and services	14,677,711	13,635,422	12,895,874	739,548
Total special programs	63,779,328	63,759,016	64,103,466	(344,450)
Total instruction	223,249,801	225,032,334	223,280,748	1,751,586
Support services:				
Students:				
Salaries and benefits	29,597,666	29,805,596	29,550,421	255,175
Materials and services	2,761,347	2,589,614	1,249,509	1,340,105
Total students	32,359,013	32,395,210	30,799,930	1,595,280
Instructional staff:				
Salaries and benefits	9,045,976	9,387,126	9,134,873	252,253
Materials and services	2,625,531	2,654,969	1,377,861	1,277,108
Total instructional staff	11,671,507	12,042,095	10,512,734	1,529,361
General administration:				
Salaries and benefits	1,893,957	2,144,048	1,935,800	208,248
Materials and services	1,650,286	1,690,921	1,249,900	441,021
Total general administration	3,544,243	3,834,969	3,185,700	649,269
School administration:				
Salaries and benefits	26,178,878	27,205,142	26,763,132	442,010
Materials and services	219,825	259,455	172,171	87,284
Total school administration	26,398,703	27,464,597	26,935,303	529,294

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

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, 2005

	<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>		
Support services (continued):				
Business:				
Salaries and benefits	17,321,047	17,470,280	17,360,559	109,721
Materials and services	36,579,397	36,709,393	37,921,005	(1,211,612)
Total business	<u>53,900,444</u>	<u>54,179,673</u>	<u>55,281,564</u>	<u>(1,101,891)</u>
Central:				
Salaries and benefits	10,407,542	10,215,107	8,671,065	1,544,042
Materials and services	4,292,026	4,326,049	4,967,313	(641,264)
Total central	<u>14,699,568</u>	<u>14,541,156</u>	<u>13,638,378</u>	<u>902,778</u>
Community Services:				
Materials and services	-	-	49,043	(49,043)
Facilities acquisition & construction:				
Salaries and benefits			3,078	(3,078)
Materials and services	-	-	1,385,616	(1,385,616)
Total facilities acquisition & construction	<u>-</u>	<u>-</u>	<u>1,388,694</u>	<u>(1,388,694)</u>
Total support services	<u>142,573,478</u>	<u>144,457,700</u>	<u>141,791,346</u>	<u>2,666,354</u>
Other expenditures:				
Debt Service				
Principal	634,050	634,050	648,539	(14,489)
Interest	376,334	376,334	240,499	135,835
Total debt service	<u>1,010,384</u>	<u>1,010,384</u>	<u>889,038</u>	<u>121,346</u>
Total current expenditures	<u>366,833,663</u>	<u>370,500,418</u>	<u>365,961,132</u>	<u>4,539,286</u>
Operating contingency	<u>11,580,883</u>	<u>7,914,128</u>	<u>-</u>	<u>7,914,128</u>
Total expenditures	<u>378,414,546</u>	<u>378,414,546</u>	<u>365,961,132</u>	<u>12,453,414</u>
Excess of revenues over expenditures	<u>5,602,022</u>	<u>5,602,022</u>	<u>28,117,702</u>	<u>22,515,680</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(18,277,746)</u>	<u>(18,277,746)</u>	<u>(17,918,545)</u>	<u>359,201</u>
Proceeds from the sale of property	100,000	100,000	8,446,406	8,346,406
Total other financing sources and (uses)	<u>(18,177,746)</u>	<u>(18,177,746)</u>	<u>(9,472,139)</u>	<u>8,705,607</u>
Net change in fund balance	(12,575,724)	(12,575,724)	18,645,563	31,221,287
Fund balance - beginning of year	12,575,724	12,575,724	13,190,954	615,230
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,836,517</u>	<u>\$ 31,836,517</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive/</u> <u>(Negative)</u>
REVENUES				
County and Intermediate sources	\$ 725,257	\$ 725,257	\$ 887,776	\$ 162,519
Federal and state support	60,707,325	66,807,325	59,560,066	(7,247,259)
Other	547,715	547,715	628,418	80,703
Total revenues	<u>61,980,297</u>	<u>68,080,297</u>	<u>61,076,260</u>	<u>(7,004,037)</u>
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	5,116,311	12,717,894	12,873,273	(155,379)
Materials and services	2,020,020	1,328,437	1,602,868	(274,431)
Total regular programs	<u>7,136,331</u>	<u>14,046,331</u>	<u>14,476,141</u>	<u>(429,810)</u>
Special programs:				
Salaries and benefits	20,918,293	17,886,318	15,315,325	2,570,993
Materials and services	9,434,984	7,516,959	5,792,366	1,724,593
Total special programs	<u>30,353,277</u>	<u>25,403,277</u>	<u>21,107,691</u>	<u>4,295,586</u>
Summer school programs:				
Salaries and benefits	10,517	80,149	101,957	(21,808)
Materials and services	39,999	10,367	9,037	1,330
Total summer school programs	<u>50,516</u>	<u>90,516</u>	<u>110,994</u>	<u>(20,478)</u>
Total instruction	<u>37,540,124</u>	<u>39,540,124</u>	<u>35,694,826</u>	<u>3,845,298</u>
Support Services:				
Students:				
Salaries and benefits	4,065,368	4,473,754	4,656,590	(182,836)
Materials and services	3,283,624	3,185,238	3,339,999	(154,761)
Total students	<u>7,348,992</u>	<u>7,658,992</u>	<u>7,996,589</u>	<u>(337,597)</u>
Instructional staff:				
Salaries and benefits	7,437,663	9,067,356	8,177,854	889,502
Materials and services	5,282,090	5,882,397	3,702,478	2,179,919
Total instructional staff	<u>12,719,753</u>	<u>14,949,753</u>	<u>11,880,332</u>	<u>3,069,421</u>
School administration:				
Salaries and benefits	1,134,926	1,318,261	1,445,407	(127,146)
Materials and services	684,206	930,871	931,550	(679)
Total school administration	<u>1,819,132</u>	<u>2,249,132</u>	<u>2,376,957</u>	<u>(127,825)</u>
Business:				
Salaries and benefits	71,726	87,240	104,325	(17,085)
Materials and services	15,107	209,593	178,049	31,544
Total business	<u>86,833</u>	<u>296,833</u>	<u>282,374</u>	<u>14,459</u>

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

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services (continued):				
Central:				
Salaries and benefits	609,431	696,250	690,481	5,769
Materials and services	377,686	410,867	354,796	56,071
Total central	<u>987,117</u>	<u>1,107,117</u>	<u>1,045,277</u>	<u>61,840</u>
Total support services	<u>22,961,827</u>	<u>26,261,827</u>	<u>23,581,529</u>	<u>2,680,298</u>
Enterprise and Community Services:				
Food Services:				
Materials and services	144,880	334,880	321,915	12,965
Total food services	<u>144,880</u>	<u>334,880</u>	<u>321,915</u>	<u>12,965</u>
Community Services:				
Salaries and benefits	983,751	1,228,495	977,541	250,954
Materials and services	349,715	714,971	500,449	214,522
Total community services	<u>1,333,466</u>	<u>1,943,466</u>	<u>1,477,990</u>	<u>465,476</u>
Total enterprise and community services	<u>1,478,346</u>	<u>2,278,346</u>	<u>1,799,905</u>	<u>478,441</u>
Total current expenditures	<u>61,980,297</u>	<u>68,080,297</u>	<u>61,076,260</u>	<u>7,004,037</u>
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
PERS Rate Stabilization Reserve Fund
Schedule of Changes in Fund Balance -
Budget and Actual
For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Transfers in	\$ 9,500,000	\$ 9,500,000	\$ 9,500,000	\$ -
Net change in fund balance	9,500,000	9,500,000	9,500,000	-
Fund balance - beginning of year	11,300,000	11,300,000	11,300,000	-
Fund balance - end of year	\$ 20,800,000	\$ 20,800,000	\$ 20,800,000	\$ -

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

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.

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 and 2004 limited tax general obligation refunding bonds. 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 priority building repairs of the District's facilities, including Americans with Disabilities Act and safety requirements. The principal funding source is property taxes.

COMBINING STATEMENTS

Nonmajor Governmental Funds (continued)

Capital Projects Funds

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

System Project Fund

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.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Governmental Funds
Combining Balance Sheet by Fund Types
June 30, 2005

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total
ASSETS				
Cash and cash equivalents	\$ 9,511,645	\$ -	\$ 2,126,875	\$ 11,638,520
Cash and cash equivalents with fiscal agents	-	290,040	-	290,040
Investments	-	-	5,691,547	5,691,547
Accounts and other receivables	476,118	-	7,274	483,392
Property and other taxes receivable	-	1,728,938	-	1,728,938
Due from other funds	650,000	-	-	650,000
Inventories	711,871	-	-	711,871
Total assets	<u>\$ 11,349,634</u>	<u>\$ 2,018,978</u>	<u>\$ 7,825,696</u>	<u>\$ 21,194,308</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 507,194	\$ -	\$ 380,711	\$ 887,905
Accrued salaries, wages and benefits payable	1,687,336	-	19,811	1,707,147
Due to other funds	22,688	673,865	-	696,553
Arbitrage rebate	-	-	43,678	43,678
Deferred revenues	-	1,567,062	-	1,567,062
Total liabilities	<u>2,217,218</u>	<u>2,240,927</u>	<u>444,200</u>	<u>4,902,345</u>
FUND BALANCES (DEFICIT)				
Unreserved	<u>9,132,416</u>	<u>(221,949)</u>	<u>7,381,496</u>	<u>16,291,963</u>
Total liabilities and fund balances	<u>\$ 11,349,634</u>	<u>\$ 2,018,978</u>	<u>\$ 7,825,696</u>	<u>\$ 21,194,308</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2005

	Student Body Activities Fund	Cafeteria Fund	Special Revenue Funds	BESC Cafeteria Fund	Total
ASSETS					
Cash and cash equivalents	\$ 2,750,331	\$ 1,349,309	\$ 5,411,905	\$ 100	\$ 9,511,645
Accounts and other receivables	58,123	20,473	379,974	17,548	476,118
Due from other funds	650,000	-	-	-	650,000
Inventories	-	693,891	-	17,980	711,871
Total assets	<u>\$ 3,458,454</u>	<u>\$ 2,063,673</u>	<u>\$ 5,791,879</u>	<u>\$ 35,628</u>	<u>\$ 11,349,634</u>
LIABILITIES					
Accounts payable and other current liabilities	\$ 203,937	\$ 219,911	\$ 72,286	\$ 11,060	\$ 507,194
Accrued salaries, wages and benefits payable	-	725,415	921,031	40,890	1,687,336
Due to other funds	-	-	-	22,688	22,688
Total liabilities	<u>203,937</u>	<u>945,326</u>	<u>993,317</u>	<u>74,638</u>	<u>2,217,218</u>
FUND BALANCES (DEFICIT)					
Unreserved	<u>3,254,517</u>	<u>1,118,347</u>	<u>4,798,562</u>	<u>(39,010)</u>	<u>9,132,416</u>
Total liabilities and fund balances	<u>\$ 3,458,454</u>	<u>\$ 2,063,673</u>	<u>\$ 5,791,879</u>	<u>\$ 35,628</u>	<u>\$ 11,349,634</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2005

	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					
with fiscal agents	\$ -	\$ -	\$ -	\$ 290,040	\$ 290,040
Investments	-	-	-	-	-
Property and other taxes receivable	-	-	-	1,728,938	1,728,938
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,018,978</u>	<u>\$ 2,018,978</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 673,865	\$ 673,865
Deferred revenues	-	-	-	1,567,062	1,567,062
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,240,927</u>	<u>2,240,927</u>
FUND BALANCES (DEFICIT)					
Unreserved	-	-	-	(221,949)	(221,949)
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,018,978</u>	<u>\$ 2,018,978</u>

*These funds have no balance sheet activity here, but they do have expenditure and transfer activity, shown on the Combining Statement of Revenues, Expenditures and Changes in Fund Balance.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2005

	System Project Fund	Facilities Improvement/ Technology Fund	Facilities Improvement II Fund	Total
ASSETS				
Cash and cash equivalents	\$ 227,258	\$ 1,639,298	\$ 260,319	\$ 2,126,875
Investments	246,547	4,312,000	1,133,000	5,691,547
Accounts and other receivables	315	5,511	1,448	7,274
Total assets	\$ 474,120	\$ 5,956,809	\$ 1,394,767	\$ 7,825,696
LIABILITIES				
Accounts payable and other current liabilities	\$ 11,869	\$ 338,320	\$ 30,522	\$ 380,711
Accrued salaries, wages and benefits payable		18,160	1,651	19,811
Arbitrage rebate	43,678	-	-	43,678
Total liabilities	55,547	356,480	32,173	444,200
FUND BALANCES				
Unreserved	418,573	5,600,329	1,362,594	7,381,496
Total liabilities and fund balances	\$ 474,120	\$ 5,956,809	\$ 1,394,767	\$ 7,825,696

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, 2005

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total
REVENUES				
Property and other taxes	\$ -	\$ 33,979,321	\$ -	\$ 33,979,321
Federal and state support	9,342,969	-	-	9,342,969
County and Intermediate sources	649,823	-	-	649,823
Charges for services	6,058,414	-	-	6,058,414
Extracurricular activities	6,872,478	-	-	6,872,478
Investment earnings	-	418,547	176,929	595,476
Other	2,849,392	-	191,368	3,040,760
Total revenues	<u>25,773,076</u>	<u>34,397,868</u>	<u>368,297</u>	<u>60,539,241</u>
EXPENDITURES				
Current Operating:				
Instruction				
Regular programs	10,169,821	-	-	10,169,821
Special programs	513,428	-	-	513,428
Summer school programs	278,766	-	-	278,766
Total instruction	<u>10,962,015</u>	<u>-</u>	<u>-</u>	<u>10,962,015</u>
Support services:				
Students	290,338	-	-	290,338
Instructional staff	441,669	-	22,842	464,511
General administration	10,807	-	-	10,807
School administration	447,246	-	-	447,246
Business	668,320	-	3,851	672,171
Central	58,286	-	650,496	708,782
Total support services	<u>1,916,666</u>	<u>-</u>	<u>677,189</u>	<u>2,593,855</u>
Enterprise and community services:				
Food services	13,744,335	-	-	13,744,335
Community services	14,350	-	-	14,350
Total enterprise and community services	<u>13,758,685</u>	<u>-</u>	<u>-</u>	<u>13,758,685</u>
Facilities acquisition and construction	-	-	5,274,400	5,274,400
Debt Service:				
Principal	-	41,405,000	-	41,405,000
Interest and fiscal charges	-	3,746,189	-	3,746,189
Total debt service	<u>-</u>	<u>45,151,189</u>	<u>-</u>	<u>45,151,189</u>
Total current expenditures	<u>26,637,366</u>	<u>45,151,189</u>	<u>5,951,589</u>	<u>77,740,144</u>
Excess of expenditures over revenues	<u>(864,290)</u>	<u>(10,753,321)</u>	<u>(5,583,292)</u>	<u>(17,200,903)</u>
OTHER FINANCING SOURCES				
Transfers in	143,618	8,274,927	-	8,418,545
Proceeds from the sale of property	270,823	-	-	270,823
Total other financing sources	<u>414,441</u>	<u>8,274,927</u>	<u>-</u>	<u>8,689,368</u>
Net change in fund balances	(449,849)	(2,478,394)	(5,583,292)	(8,511,535)
Fund balances - beginning of year	9,582,265	2,256,445	12,964,788	24,803,498
Fund balances/(deficit) - end of year	<u>\$ 9,132,416</u>	<u>\$ (221,949)</u>	<u>\$ 7,381,496</u>	<u>\$ 16,291,963</u>

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, 2005

	Student Body Activities Fund	Cafeteria Fund	Special Revenue Fund	BESC Cafeteria Fund	Total
REVENUES					
Federal and state support	\$ -	\$ 9,328,497	\$ 14,472	\$ -	\$ 9,342,969
County and Intermediate sources	-	-	649,823	-	649,823
Charges for services	-	3,378,628	2,108,880	570,906	6,058,414
Extracurricular activities	6,872,478	-	-	-	6,872,478
Other	-	16,644	2,832,748	-	2,849,392
Total revenues	<u>6,872,478</u>	<u>12,723,769</u>	<u>5,605,923</u>	<u>570,906</u>	<u>25,773,076</u>
EXPENDITURES					
Current operating:					
Instruction:					
Regular programs	6,995,512	-	3,174,309	-	10,169,821
Special programs	-	-	513,428	-	513,428
Summer school programs	-	-	278,766	-	278,766
Total instruction	<u>6,995,512</u>	<u>-</u>	<u>3,966,503</u>	<u>-</u>	<u>10,962,015</u>
Support services:					
Students	-	-	290,338	-	290,338
Instructional staff	-	-	441,669	-	441,669
General administration	-	-	10,807	-	10,807
School administration	-	-	447,246	-	447,246
Business	-	-	668,320	-	668,320
Central	-	-	58,286	-	58,286
Total support services	<u>-</u>	<u>-</u>	<u>1,916,666</u>	<u>-</u>	<u>1,916,666</u>
Enterprise and community services:					
Food services	-	13,129,597	-	614,738	13,744,335
Community services	-	-	14,350	-	14,350
Total enterprise and community services	<u>-</u>	<u>13,129,597</u>	<u>14,350</u>	<u>614,738</u>	<u>13,758,685</u>
Total current expenditures	<u>6,995,512</u>	<u>13,129,597</u>	<u>5,897,519</u>	<u>614,738</u>	<u>26,637,366</u>
Excess of expenditures over revenues	<u>(123,034)</u>	<u>(405,828)</u>	<u>(291,596)</u>	<u>(43,832)</u>	<u>(864,290)</u>
OTHER FINANCING SOURCES					
Transfers in	121,618	22,000	-	-	143,618
Proceeds from the sale of property	-	-	270,823	-	270,823
Total other financing sources	<u>121,618</u>	<u>22,000</u>	<u>270,823</u>	<u>-</u>	<u>414,441</u>
Net change in fund balances	(1,416)	(383,828)	(20,773)	(43,832)	(449,849)
Fund balances - beginning of year	3,255,933	1,502,175	4,819,335	4,822	9,582,265
Fund balances (deficit) - end of year	<u>\$ 3,254,517</u>	<u>\$ 1,118,347</u>	<u>\$ 4,798,562</u>	<u>\$ (39,010)</u>	<u>\$ 9,132,416</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, 2005

	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	\$ -	\$ -	\$ -	\$ 33,979,321	\$ 33,979,321
Investment earnings	-	-	5,178	413,369	418,547
Total revenues	-	-	5,178	34,392,690	34,397,868
EXPENDITURES					
Debt Service:					
Principal	4,375,000	1,255,000	1,100,000	34,675,000	41,405,000
Interest and fiscal charges	1,071,482	198,000	569,582	1,907,125	3,746,189
Total expenditures	5,446,482	1,453,000	1,669,582	36,582,125	45,151,189
Excess of expenditures over revenues	(5,446,482)	(1,453,000)	(1,664,404)	(2,189,435)	(10,753,321)
OTHER FINANCING SOURCES (USES)					
Transfers in	5,446,482	1,453,000	1,375,445	-	8,274,927
Net change in fund balances	-	-	(288,959)	(2,189,435)	(2,478,394)
Fund balances - beginning of year	-	-	288,959	1,967,486	2,256,445
Fund deficit - end of year	\$ -	\$ -	\$ -	\$ (221,949)	\$ (221,949)

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2005

	System Project Fund	Facilities Improvement/ Technology Fund	Facilities Improvement II Fund	Total
REVENUES				
Investment earnings	\$ 28,517	\$ 112,963	\$ 35,449	\$ 176,929
Other	-	191,368	-	191,368
Total revenues	<u>28,517</u>	<u>304,331</u>	<u>35,449</u>	<u>368,297</u>
EXPENDITURES				
Current operating:				
Support services:				
Instructional staff	-	22,842	-	22,842
Business	2,000	-	1,851	3,851
Central	280,173	370,323	-	650,496
Total support services	<u>282,173</u>	<u>393,165</u>	<u>1,851</u>	<u>677,189</u>
Facilities acquisition and construction	-	3,341,195	1,933,205	5,274,400
Total expenditures	<u>282,173</u>	<u>3,734,360</u>	<u>1,935,056</u>	<u>5,951,589</u>
Excess of expenditures over revenues	<u>(253,656)</u>	<u>(3,430,029)</u>	<u>(1,899,607)</u>	<u>(5,583,292)</u>
Fund balances - beginning of year	672,229	9,030,358	3,262,201	12,964,788
Fund balances - end of year	<u>\$ 418,573</u>	<u>\$ 5,600,329</u>	<u>\$ 1,362,594</u>	<u>\$ 7,381,496</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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property and other taxes	\$ 154,350,107	\$ 154,350,107	\$ 139,167,411	\$ (15,182,696)
State School Fund	138,516,031	138,516,031	148,012,565	9,496,534
Local option taxes	17,417,697	17,417,697	31,750,751	14,333,054
County and intermediate sources	61,492,431	61,492,431	58,195,949	(3,296,482)
State Common School Fund	3,382,172	3,382,172	3,783,920	401,748
Charges for services	3,714,500	3,714,500	3,418,524	(295,976)
Investment earnings	725,000	725,000	2,422,210	1,697,210
Other	4,418,630	4,418,630	7,327,504	2,908,874
Total revenues	384,016,568	384,016,568	394,078,834	10,062,266
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	152,860,312	154,852,396	153,406,788	1,445,608
Materials and services	6,610,161	6,420,922	5,770,494	650,428
Total regular programs	159,470,473	161,273,318	159,177,282	2,096,036
Special programs:				
Salaries and benefits	49,101,617	50,123,594	51,207,592	(1,083,998)
Materials and services	14,677,711	13,635,422	12,895,874	739,548
Total special programs	63,779,328	63,759,016	64,103,466	(344,450)
Total instruction	223,249,801	225,032,334	223,280,748	1,751,586
Support services:				
Students:				
Salaries and benefits	29,597,666	29,805,596	29,550,421	255,175
Materials and services	2,761,347	2,589,614	1,249,509	1,340,105
Total students	32,359,013	32,395,210	30,799,930	1,595,280
Instructional staff:				
Salaries and benefits	9,045,976	9,387,126	9,134,873	252,253
Materials and services	2,625,531	2,654,969	1,377,861	1,277,108
Total instructional staff	11,671,507	12,042,095	10,512,734	1,529,361
General administration:				
Salaries and benefits	1,893,957	2,144,048	1,935,800	208,248
Materials and services	1,650,286	1,690,921	1,249,900	441,021
Total general administration	3,544,243	3,834,969	3,185,700	649,269
School administration:				
Salaries and benefits	26,178,878	27,205,142	26,763,132	442,010
Materials and services	219,825	259,455	172,171	87,284
Total school administration	26,398,703	27,464,597	26,935,303	529,294

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

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, 2005

	<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>		
Support services (continued):				
Business:				
Salaries and benefits	17,321,047	17,470,280	17,360,559	109,721
Materials and services	36,579,397	36,709,393	37,921,005	(1,211,612)
Total business	53,900,444	54,179,673	55,281,564	(1,101,891)
Central:				
Salaries and benefits	10,407,542	10,215,107	8,671,065	1,544,042
Materials and services	4,292,026	4,326,049	4,967,313	(641,264)
Total central	14,699,568	14,541,156	13,638,378	902,778
Community Services:				
Materials and services	-	-	49,043	(49,043)
Facilities acquisition & construction:				
Salaries and benefits	-	-	3,078	(3,078)
Materials and services	-	-	1,385,616	(1,385,616)
Total community services	-	-	1,388,694	(1,388,694)
Total support services	142,573,478	144,457,700	141,791,346	2,666,354
Other expenditures:				
Debt Service				
Principal	634,050	634,050	648,539	(14,489)
Interest	376,334	376,334	240,499	135,835
Total debt service	1,010,384	1,010,384	889,038	121,346
Total current expenditures	366,833,663	370,500,418	365,961,132	4,539,286
Operating contingency	11,580,883	7,914,128	-	7,914,128
Total expenditures	378,414,546	378,414,546	365,961,132	12,453,414
Excess of revenues over expenditures	5,602,022	5,602,022	28,117,702	22,515,680
OTHER FINANCING SOURCES (USES)				
Transfers out	(18,277,746)	(18,277,746)	(17,918,545)	359,201
Proceeds from the sale of property	100,000	100,000	8,446,406	8,346,406
Total other financing sources and (uses)	(18,177,746)	(18,177,746)	(9,472,139)	8,705,607
Net change in fund balance	(12,575,724)	(12,575,724)	18,645,563	31,221,287
Fund balance - beginning of year	12,575,724	12,575,724	13,190,954	615,230
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,836,517</u>	<u>\$ 31,836,517</u>

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Extracurricular activities	\$ 7,500,000	\$ 7,500,000	\$ 6,872,478	\$ (627,522)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs				
Materials and services	8,186,681	8,186,681	6,995,512	1,191,169
Excess of expenditures over revenues	(686,681)	(686,681)	(123,034)	563,647
OTHER FINANCING SOURCES				
Transfers in	186,681	186,681	121,618	(65,063)
Net change in fund balance	(500,000)	(500,000)	(1,416)	498,584
Fund balance - beginning of year	3,500,000	3,500,000	3,255,933	(244,067)
Fund balance - end of year	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,254,517</u>	<u>\$ 254,517</u>

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, 2005

	<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				
Charges for services	\$ 4,064,078	\$ 4,064,079	\$ 3,378,628	\$ (685,451)
Federal and state support	10,399,598	10,764,598	9,328,497	(1,436,101)
Other	-	-	16,644	16,644
Total revenues	<u>14,463,676</u>	<u>14,828,677</u>	<u>12,723,769</u>	<u>(2,104,908)</u>
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	7,096,605	7,558,796	6,825,574	733,222
Materials and services	<u>7,863,970</u>	<u>7,973,220</u>	<u>6,304,023</u>	<u>1,669,197</u>
Total food services	<u>14,960,575</u>	<u>15,532,016</u>	<u>13,129,597</u>	<u>2,402,419</u>
Excess of revenues over expenditures	(496,899)	(703,339)	(405,828)	297,511
OTHER FINANCING SOURCES				
Transfers in	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	-
Net change in fund balance	(474,899)	(681,339)	(383,828)	297,511
Fund balance - beginning of year	<u>750,000</u>	<u>956,440</u>	<u>1,502,175</u>	<u>545,735</u>
Fund balance - end of year	<u><u>\$ 275,101</u></u>	<u><u>\$ 275,101</u></u>	<u><u>\$ 1,118,347</u></u>	<u><u>\$ 843,246</u></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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
County and Intermediate sources	\$ 725,257	\$ 725,257	\$ 887,776	\$ 162,519
Federal and state support	60,707,325	66,807,325	59,560,066	(7,247,259)
Other	547,715	547,715	628,418	80,703
Total revenues	<u>61,980,297</u>	<u>68,080,297</u>	<u>61,076,260</u>	<u>(7,004,037)</u>
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	5,116,311	12,717,894	12,873,273	(155,379)
Materials and services	2,020,020	1,328,437	1,602,868	(274,431)
Total regular programs	<u>7,136,331</u>	<u>14,046,331</u>	<u>14,476,141</u>	<u>(429,810)</u>
Special programs:				
Salaries and benefits	20,918,293	17,886,318	15,315,325	2,570,993
Materials and services	9,434,984	7,516,959	5,792,366	1,724,593
Total special programs	<u>30,353,277</u>	<u>25,403,277</u>	<u>21,107,691</u>	<u>4,295,586</u>
Summer school programs:				
Salaries and benefits	10,517	80,149	101,957	(21,808)
Materials and services	39,999	10,367	9,037	1,330
Total summer school programs	<u>50,516</u>	<u>90,516</u>	<u>110,994</u>	<u>(20,478)</u>
Total instruction	<u>37,540,124</u>	<u>39,540,124</u>	<u>35,694,826</u>	<u>3,845,298</u>
Support Services:				
Students:				
Salaries and benefits	4,065,368	4,473,754	4,656,590	(182,836)
Materials and services	3,283,624	3,185,238	3,339,999	(154,761)
Total students	<u>7,348,992</u>	<u>7,658,992</u>	<u>7,996,589</u>	<u>(337,597)</u>
Instructional staff:				
Salaries and benefits	7,437,663	9,067,356	8,177,854	889,502
Materials and services	5,282,090	5,882,397	3,702,478	2,179,919
Total instructional staff	<u>12,719,753</u>	<u>14,949,753</u>	<u>11,880,332</u>	<u>3,069,421</u>
School administration:				
Salaries and benefits	1,134,926	1,318,261	1,445,407	(127,146)
Materials and services	684,206	930,871	931,550	(679)
Total school administration	<u>1,819,132</u>	<u>2,249,132</u>	<u>2,376,957</u>	<u>(127,825)</u>
Business:				
Salaries and benefits	71,726	87,240	104,325	(17,085)
Materials and services	15,107	209,593	178,049	31,544
Total business	<u>86,833</u>	<u>296,833</u>	<u>282,374</u>	<u>14,459</u>

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

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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Support Services (continued):				
Central:				
Salaries and benefits	609,431	696,250	690,481	5,769
Materials and services	377,686	410,867	354,796	56,071
Total central	987,117	1,107,117	1,045,277	61,840
Total support services	22,961,827	26,261,827	23,581,529	2,680,298
Enterprise and Community Services:				
Food Services:				
Materials and services	144,880	334,880	321,915	12,965
Total food services	144,880	334,880	321,915	12,965
Community Services:				
Salaries and benefits	983,751	1,228,495	977,541	250,954
Materials and services	349,715	714,971	500,449	214,522
Total community services	1,333,466	1,943,466	1,477,990	465,476
Total enterprise and community services	1,478,346	2,278,346	1,799,905	478,441
Total current expenditures	61,980,297	68,080,297	61,076,260	7,004,037
Excess of revenues over expenditures	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

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

SCHOOL DISTRICT NO.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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 598,307	\$ 612,699	\$ 570,906	\$ (41,793)
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	350,142	364,534	402,271	(37,737)
Materials and services	244,800	244,800	212,467	32,333
Total food services	594,942	609,334	614,738	(5,404)
Excess (deficiency) of revenues over (under) expenditures	3,365	3,365	(43,832)	(47,197)
Fund balance - beginning of year	9,700	9,700	4,822	(4,878)
Fund balance (Deficit) - end of year	<u>\$ 13,065</u>	<u>\$ 13,065</u>	<u>\$ (39,010)</u>	<u>\$ (52,075)</u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
PERS Rate Stabilization Reserve Fund
Schedule of Changes in Fund Balance -
Budget and Actual
For the year ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Transfers in	\$ 9,500,000	\$ 9,500,000	\$ 9,500,000	\$ -
Net change in fund balance	9,500,000	9,500,000	9,500,000	-
Fund balance - beginning of year	11,300,000	11,300,000	11,300,000	-
Fund balance - end of year	\$ 20,800,000	\$ 20,800,000	\$ 20,800,000	\$ -

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, 2005

	<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				
County and Intermediate sources	\$ 2,016,262	\$ 2,016,262	\$ 649,823	\$ (1,366,439)
Federal and state support	54,265	54,265	14,472	(39,793)
Charges for services	2,201,169	2,201,169	2,108,880	(92,289)
Other	3,311,019	3,311,019	2,832,748	(478,271)
Total revenues	7,582,715	7,582,715	5,605,923	(1,976,792)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	2,705,553	2,947,655	2,847,032	100,623
Materials and services	336,467	394,365	327,277	67,088
Total regular programs	3,042,020	3,342,020	3,174,309	167,711
Special programs:				
Salaries and benefits	2,100,542	1,713,566	79,864	1,633,702
Materials and services	124,864	661,840	433,564	228,276
Total special programs	2,225,406	2,375,406	513,428	1,861,978
Summer school programs:				
Salaries and benefits	41,197	461,991	246,092	215,899
Materials and services	465,329	44,535	32,674	11,861
Total summer school programs	506,526	506,526	278,766	227,760
Total instruction	5,773,952	6,223,952	3,966,503	2,257,449
Support Services:				
Students:				
Salaries and benefits	278,735	294,804	244,345	50,459
Materials and services	196,546	132,477	45,993	86,484
Total students	475,281	427,281	290,338	136,943
Instructional staff:				
Salaries and benefits	283,693	295,223	283,108	12,115
Materials and services	268,563	225,033	158,561	66,472
Total instructional staff	552,256	520,256	441,669	78,587
General administration:				
Salaries and benefits	3,202	2,618	3,872	(1,254)
Materials and services	6,970	12,554	6,935	5,619
Total general administration	10,172	15,172	10,807	4,365
School administration:				
Salaries and benefits	360,207	403,567	398,979	4,588
Materials and services	120,041	61,681	48,267	13,414
Total school administration	480,248	465,248	447,246	18,002

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

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support Services (continued):				
Business:				
Salaries and benefits	611	37	-	37
Materials and services	316,286	676,860	668,320	8,540
Total business	316,897	676,897	668,320	8,577
Central:				
Materials and services	18,681	63,681	58,286	5,395
Total support services	1,853,535	2,168,535	1,916,666	251,869
Enterprise and Community Services:				
Food Services:				
Materials and services	2,791	2,791	-	2,791
Community Services:				
Salaries and benefits	12,529	12,529	-	12,529
Materials and services	7,223	7,223	14,350	(7,127)
Total community services	19,752	19,752	14,350	5,402
Total enterprise and community service	22,543	22,543	14,350	8,193
Total current expenditures	7,650,030	8,415,030	5,897,519	2,517,511
Excess of expenditures over revenues	(67,315)	(832,315)	(291,596)	540,719
 OTHER FINANCING SOURCES				
Proceeds from the sale of property	67,315	67,315	270,823	203,508
 Net change in fund balance	-	(765,000)	(20,773)	744,227
Fund balance - beginning of year	2,000,000	2,765,000	4,819,335	2,054,335
Fund balance - end of year	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 4,798,562</u>	<u>\$ 2,595,054</u>

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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal	\$ 4,375,000	\$ 4,375,000	\$ 4,375,000	\$ -
Interest and fiscal charges	1,071,983	1,071,983	1,071,482	501
Total expenditures	5,446,983	5,446,983	5,446,482	501
OTHER FINANCING SOURCES				
Transfers in	5,446,483	5,446,483	5,446,482	(1)
Net change in fund balances	(500)	(500)	-	502
Fund balance - beginning of year	500	500	-	(500)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHOOL DISTRICT NO.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, 2005

	<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	\$ 1,255,000	\$ 1,255,000	\$ 1,255,000	\$ -
Interest and fiscal charges	198,000	198,000	198,000	-
Total expenditures	1,453,000	1,453,000	1,453,000	-
OTHER FINANCING SOURCES				
Transfers in	1,453,000	1,453,000	1,453,000	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHOOL DISTRICT NO.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, 2005

	<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	\$ -	\$ -	\$ 5,178	\$ 5,178
Total revenues	<u>-</u>	<u>-</u>	<u>5,178</u>	<u>5,178</u>
EXPENDITURES				
Debt Service:				
Principal	1,100,000	1,100,000	1,100,000	-
Interest and fiscal charges	569,582	569,582	569,582	-
Total expenditures	<u>1,669,582</u>	<u>1,669,582</u>	<u>1,669,582</u>	<u>-</u>
Excess of expenditures over revenues	(1,669,582)	(1,669,582)	(1,664,404)	5,178
OTHER FINANCING SOURCES (USES)				
Transfers in	1,669,582	1,669,582	1,375,445	(294,137)
Net change in fund balance	-	-	(288,959)	(288,959)
Fund balance - beginning of year	-	-	288,959	288,959
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

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

SCHOOL DISTRICT NO.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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Property and other taxes	\$ 34,092,125	\$ 34,092,125	\$ 33,979,321	\$ (112,804)
Investment earnings	240,000	240,000	413,369	173,369
Total revenues	34,332,125	34,332,125	34,392,690	60,565
EXPENDITURES				
Debt Service:				
Principal	34,675,000	34,675,000	34,675,000	-
Interest	1,907,125	1,907,125	1,907,125	-
Total expenditures	36,582,125	36,582,125	36,582,125	-
Excess of expenditures over revenues	(2,250,000)	(2,250,000)	(2,189,435)	60,565
Fund balance - beginning of year	2,250,000	2,250,000	1,967,486	(282,514)
Fund deficit - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (221,949)</u>	<u>\$ (221,949)</u>

Note: Bolded lines indicate legally required appropriation budget levels 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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 2,500	\$ 2,500	\$ 28,517	\$ 26,017
EXPENDITURES				
Current Operating:				
Support Services:				
Business:				
Materials and services	2,000	2,000	2,000	-
Central:				
Salaries and benefits	2,271	2,271	8,302	(6,031)
Materials and services	424,011	424,011	271,871	152,140
Total central	<u>426,282</u>	<u>426,282</u>	<u>280,173</u>	<u>146,109</u>
Total Support Services	<u>428,282</u>	<u>428,282</u>	<u>282,173</u>	<u>146,109</u>
Total current expenditures	<u>428,282</u>	<u>428,282</u>	<u>282,173</u>	<u>146,109</u>
Excess of expenditures over revenues	(425,782)	(425,782)	(253,656)	172,126
Fund balance - beginning of year	425,782	425,782	672,229	246,447
Fund balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 418,573</u></u>	<u><u>\$ 418,573</u></u>

Note: Bolded lines indicate legally required appropriation budget levels 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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 547,853	\$ 547,853	\$ 112,963	\$ (434,890)
Other	-	-	191,368	191,368
Total revenues	<u>547,853</u>	<u>547,853</u>	<u>304,331</u>	<u>(243,522)</u>
EXPENDITURES				
Current Operating:				
Support Services:				
Instructional staff:				
Materials and services	22,858	22,858	22,842	16
Business:				
Materials and services	20,000	20,000	-	20,000
Central:				
Materials and services	355,136	355,136	370,323	(15,187)
Total support services	<u>397,994</u>	<u>397,994</u>	<u>393,165</u>	<u>4,829</u>
Facilities Acquisition & Construction:				
Salaries and benefits	345,055	345,055	310,456	34,599
Materials and services	4,747,983	4,747,983	3,030,739	1,717,244
Total Facilities Acquisition & Construction	<u>5,093,038</u>	<u>5,093,038</u>	<u>3,341,195</u>	<u>1,751,843</u>
Total expenditures	<u>5,491,032</u>	<u>5,491,032</u>	<u>3,734,360</u>	<u>1,756,672</u>
Excess of expenditures over revenues	(4,943,179)	(4,943,179)	(3,430,029)	1,321,782
Fund balance - beginning of year	7,252,149	7,252,149	9,030,358	1,778,209
Fund balance - end of year	<u>\$ 2,308,970</u>	<u>\$ 2,308,970</u>	<u>\$ 5,600,329</u>	<u>\$ 3,291,359</u>

Note: Bolded lines indicate legally required appropriation budget levels 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, 2005

	<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	\$ 23,200	\$ 23,200	\$ 35,449	\$ 12,249
EXPENDITURES				
Current Operating:				
Support Services:				
Business:				
Materials and services	4,000	4,000	1,851	2,149
Facilities Acquisition & Construction:				
Salaries and benefits	-	-	6,603	(6,603)
Materials and services	2,926,052	2,926,052	1,926,602	999,450
Total Facilities Acquisition & Construction	2,926,052	2,926,052	1,933,205	992,847
Total expenditures	2,930,052	2,930,052	1,935,056	994,996
Excess of expenditures over revenues	(2,906,852)	(2,906,852)	(1,899,607)	1,007,245
Fund balance - beginning of year	2,906,852	2,906,852	3,262,201	355,349
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,362,594</u>	<u>\$ 1,362,594</u>

Note: Bolded lines indicate legally required appropriation budget levels 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, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 4,824,238	\$ 4,883,693	\$ 4,941,768	\$ 58,075
Investments	45,605	45,522	73,559	28,037
Insurance recoveries	-	-	156,446	156,446
Other	26,210	26,210	29,005	2,795
Total revenues	<u>4,896,053</u>	<u>4,955,425</u>	<u>5,200,778</u>	<u>245,353</u>
EXPENDITURES				
Current Operating:				
Support Services:				
Salaries and benefits	409,911	409,911	306,385	103,526
Materials and services	268,500	268,500	356,681	(88,181)
Claims expense	4,157,053	4,216,425	3,401,045	815,380
Total expenditures	<u>4,835,464</u>	<u>4,894,836</u>	<u>4,064,111</u>	<u>830,725</u>
Excess of revenues over expenditures	60,589	60,589	1,136,667	1,076,078
Fund balance - beginning of year	250,000	250,000	239,157	(10,843)
Fund balance - end of year	<u>\$ 310,589</u>	<u>\$ 310,589</u>	1,375,824	<u>\$ 1,065,235</u>
Less salaries and benefits accrued under GAAP			(12,418)	
Retained earnings at end of year, GAAP basis			<u>\$ 1,363,406</u>	

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

OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund

Schedule of Property Tax Transactions
For the Year Ended June 30, 2005

DISTRICT LEVELS	Tax Year	Taxes		Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes	
		Uncollected June 30, 2004	Uncollected June 30, 2005						Uncollected June 30, 2004	Uncollected June 30, 2005
Multnomah County:										
General Tax:										
Current Year	2004-2005	\$ -	\$ 156,651,620	\$ (3,759,126)	\$ 88,265	\$ (1,301,014)	\$ (147,145,924)	\$ 4,533,821		
Prior Years	2003-2004	4,607,813	10,129	204,651	204,651	(725,915)	(2,413,536)	1,683,142		
	2002-2003	1,906,022	3,812	178,357	178,357	(162,588)	(1,015,204)	910,399		
	2001-2002	963,875	4,160	135,049	135,049	(194,599)	(531,897)	376,588		
	2000-2001	375,855	2,927	58,299	58,299	(48,320)	(282,704)	106,057		
	1999-2000	78,093	2,541	(32,483)	(32,483)	4,348	(11,716)	40,783		
	1998-1999	39,048	1,793	(33,522)	(33,522)	19,707	(7,866)	19,160		
	1997-1998	27,987	1,918	(48,802)	(48,802)	45,544	(3,679)	22,968		
	1996-1997	12,466	1,316	(43,996)	(43,996)	41,147	(719)	10,214		
	and prior	128,984	1,940	(64,818)	(64,818)	73,644	(21,045)	118,705		
		<u>8,140,143</u>	<u>156,651,620</u>	<u>(3,728,590)</u>	<u>441,000</u>	<u>(2,248,046)</u>	<u>(151,434,290)</u>	<u>7,821,837</u>		
Total General Tax:										
Local Option Taxes:										
Current Year	2004-2005	-	17,983,364	(431,542)	10,133	(149,354)	(16,892,125)	520,476		
Prior Year	2003-2004	539,251	1,185	23,950	23,950	(84,954)	(282,456)	196,976		
	2002-2003	217,528	435	20,355	20,355	(18,556)	(115,862)	103,900		
	2001-2002	105,029	453	14,716	14,716	(21,204)	(57,958)	41,036		
	2000-2001	37,693	294	(4,846)	5,846	(4,846)	(28,350)	10,637		
		<u>899,501</u>	<u>17,983,364</u>	<u>(429,175)</u>	<u>75,000</u>	<u>(278,914)</u>	<u>(17,376,751)</u>	<u>873,025</u>		
Total Local Option Taxes:										
Cancel/Omit										
Current Year	2004-2005	-	431,413	(10,352)	243	(3,583)	(405,234)	12,487		
Prior Year	2003-2004	9,602	21	427	427	(1,513)	(5,030)	3,507		
		<u>9,602</u>	<u>431,413</u>	<u>(10,331)</u>	<u>670</u>	<u>(5,096)</u>	<u>(410,264)</u>	<u>15,994</u>		
Total Cancel/Omit Taxes:										
Total Multnomah County:		9,049,246	175,066,397	(4,168,096)	516,670	(2,532,056)	(169,221,305)	8,710,856		
Washington County:										
All Years ¹			1,275,256				(1,275,256)			
Clackamas County:										
All Years ¹			150,898				(150,898)			
Total All Counties:		<u>\$ 9,049,246</u>	<u>\$ 176,492,551</u>	<u>\$ (4,168,096)</u>	<u>\$ 516,670</u>	<u>\$ (2,532,056)</u>	<u>\$ (170,647,459)</u>	<u>\$ 8,710,856</u>		

¹ The total collections from Washington and Clackamas Counties were less than one percent of the District's total property tax collections. The taxes receivable from the two counties at June 30, 2005 were considered immaterial.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund
Schedule of Property Tax Transactions
For the Year Ended June 30, 2005

Reconciliation to Financial Statements:	
Property tax collections for the year ended June 30, 2005	\$ 170,647,459
Non-levied tax revenue received for the year ended June 30, 2005	419,915
Uncollected property taxes at June 30, 2005	\$ 8,710,856
Uncollected property taxes susceptible to accrual at June 30, 2005	827,433 (812,547)
Non-levied tax revenue susceptible to accrual at June 30, 2005	8,455 (8,150)
Property taxes & non-levy rev susceptible to accrual at June 30, 2004, and collected during the year ended June 30, 2005	<u>(985,099)</u>
Total property taxes - General Fund	<u>\$ 170,918,163</u>
Total Deferred Revenues - General Fund	<u>\$ 7,890,159</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Debt Service Funds
Schedule of Property Tax Transactions
For the Year Ended June 30, 2005

Tax Year	Taxes Uncollected June 30, 2004	Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes Uncollected June 30, 2005
DISTRICT LEVIES							
Multnomah County:							
Bond Tax:							
Current Year	\$ -	\$ 34,826,024	\$ (835,711)	\$ 19,623	\$ (289,235)	\$ (32,712,764)	1,007,937
Prior Years	1,061,804	2,334	913	47,159	(167,278)	(556,164)	387,855
	456,186		814	42,688	(38,915)	(242,978)	217,894
	188,545		563	26,417	(38,066)	(104,045)	73,665
	72,349		521	11,222	(9,301)	(54,418)	20,415
	15,995		349	(6,653)	890	(2,400)	8,353
	7,612		483	(6,534)	3,841	(1,533)	3,735
	7,045		194	(12,287)	11,468	(926)	5,783
	1,839		(829,540)	(6,492)	6,071	(106)	1,506
Total Multnomah County:	<u>1,811,375</u>	<u>34,826,024</u>	<u>(829,540)</u>	<u>115,143</u>	<u>(520,525)</u>	<u>(33,675,334)</u>	<u>1,727,143</u>
Washington County:							
All Years ¹		249,073				(249,073)	
Clackamas County:							
All Years ¹		29,334				(29,334)	
Total All Counties:	<u>\$ 1,811,375</u>	<u>\$ 35,104,431</u>	<u>\$ (829,540)</u>	<u>\$ 115,143</u>	<u>\$ (520,525)</u>	<u>\$ (33,953,741)</u>	<u>\$ 1,727,143</u>
Reconciliation to Financial Statements:							
Property tax collections for the year ended June 30, 2005						\$ 33,953,741	
Non-levied tax revenue received for the year ended June 30, 2005						31,700	\$ 1,727,143
Uncollected property taxes at June 30, 2005						161,370	(158,463)
Uncollected property taxes susceptible to accrual at June 30, 2005						1,678	(1,618)
Non-levied tax revenue susceptible to accrual at June 30, 2005						(169,168)	
Property taxes & non-levy rev susceptible to accrual at June 30, 2004, and collected during the year ended June 30, 2005						\$ 33,979,321	
Total property taxes - Debt Service Funds							<u>\$ 1,567,062</u>
Total Deferred Revenues - Debt Service Funds							

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, 2005 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
Schedule By Source
June 30, 2005

Governmental funds capital assets:	
Land	\$ 8,774,770
Buildings and site improvements	311,920,419
Vehicles and equipment	33,146,031
Construction in progress	2,991,619
Total governmental funds capital assets	<u>\$ 356,832,839</u>

Investments in governmental funds capital assets by source:	
General fund	\$ 145,153,342
Special Revenue funds	2,326,462
Capital Projects funds	209,353,035
Total governmental funds capital assets	<u>\$ 356,832,839</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2005

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Site Improvements</u>	<u>Vehicles and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:					
Instruction	\$ 6,767,270	\$ 284,987,083	\$ 2,082,143	\$ 2,955,679	\$ 296,792,175
Supporting services	2,007,500	26,922,876	30,021,783	26,249	58,978,408
Food services	-	10,460	1,042,105	9,691	1,062,256
Total governmental funds capital assets	<u>\$ 8,774,770</u>	<u>\$ 311,920,419</u>	<u>\$ 33,146,031</u>	<u>\$ 2,991,619</u>	<u>\$ 356,832,839</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, 2005

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2005</u>
General government				
Instruction	\$ 294,710,413	\$ 7,128,119	\$ 5,046,357	\$ 296,792,175
Supporting services	57,446,023	1,650,348	117,963	58,978,408
Food services	890,179	172,077	-	1,062,256
Total governmental funds capital assets	<u>\$ 353,046,615</u>	<u>\$ 8,950,544</u>	<u>\$ 5,164,320</u>	<u>\$ 356,832,839</u>

Statistical Section

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

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i>	83
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	88
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	92
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
<i>Demographic and Economic Information</i>	95
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
<i>Operating Information</i>	98
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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Schedule 1
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Condensed Statement of Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

Governmental Activities	Fiscal year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Assets				
Current and other assets	\$ 138,570,096	\$ 103,758,133	\$ 142,480,484	\$ 161,328,392
Prepaid PERS unfunded actuarial liability	-	486,617,609	486,071,587	485,029,169
Net capital assets	<u>223,642,208</u>	<u>228,616,491</u>	<u>224,098,220</u>	<u>216,757,810</u>
Total assets	<u><u>362,212,304</u></u>	<u><u>818,992,233</u></u>	<u><u>852,650,291</u></u>	<u><u>863,115,371</u></u>
Liabilities				
Long-term debt outstanding	169,925,241	78,866,315	79,987,337	37,906,891
Prepaid PERS unfunded actuarial liability outstanding	-	491,273,897	490,727,875	489,685,459
Other liabilities	<u>78,923,488</u>	<u>116,163,653</u>	<u>75,478,168</u>	<u>75,082,225</u>
Total liabilities	<u><u>248,848,729</u></u>	<u><u>686,303,865</u></u>	<u><u>646,193,380</u></u>	<u><u>602,674,575</u></u>
Net Assets				
Invested in capital assets, net of related debt	87,514,912	123,871,911	156,010,883	189,650,919
Unrestricted	<u>25,848,663</u>	<u>8,816,457</u>	<u>50,446,028</u>	<u>70,789,877</u>
Total Net Assets	<u><u>\$ 113,363,575</u></u>	<u><u>\$ 132,688,368</u></u>	<u><u>\$ 206,456,911</u></u>	<u><u>\$ 260,440,796</u></u>

Note:

The District implemented GASB 34 beginning in 2002. As a result, ten years data is not available. Over time, ten fiscal years will be presented.

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

Governmental Activities	Fiscal year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenditures				
Instruction	\$ 278,299,538	\$ 246,091,005	\$ 264,429,734	\$ 278,166,226
Support services	167,000,814	160,169,734	160,120,687	167,788,692
Enterprise and Community Services	14,879,069	14,736,156	13,734,717	15,424,600
Non-capital facilities maintenance & replacement	-	15,638,257	9,177,488	2,225,437
Interest and fees on long-term debt	12,209,858	10,607,253	5,381,506	3,919,451
Total expenditures	<u>472,389,279</u>	<u>447,242,405</u>	<u>452,844,132</u>	<u>467,524,406</u>
Program Revenues				
Charges for services				
Instruction	8,165,250	6,318,753	3,561,322	3,672,390
Support services	-	-	2,126,708	1,855,014
Enterprise and Community Services	4,693,192	4,213,286	3,962,141	3,949,534
Operating grants and contributions				
Instruction	55,615,360	48,305,892	40,544,731	43,992,249
Support services	18,249,919	16,185,600	18,075,525	23,581,529
Enterprise and Community Services	10,090,155	11,125,271	10,983,081	11,128,402
Total program revenues	<u>96,813,876</u>	<u>86,148,802</u>	<u>79,253,508</u>	<u>88,179,118</u>
Net (Expenditures)	(375,575,403)	(361,093,603)	(373,590,624)	(379,345,288)
General Revenues				
Property taxes, levies for operations	128,574,250	131,056,316	135,183,185	138,698,619
Property taxes, levies for debt service	39,312,267	47,081,715	45,672,830	33,979,321
Local option taxes	14,879,271	16,263,204	17,164,911	31,750,751
State School Fund	193,284,103	150,705,317	183,619,106	148,012,565
State Common School Fund	1,527,383	3,100,444	1,251,379	3,783,920
County and intermediate sources	10,863,837	24,440,903	50,805,630	59,733,548
Investment earnings	5,310,974	2,187,551	1,786,274	3,091,245
Other	2,278,644	5,343,708	6,383,011	8,255,466
Gain on disposal of capital assets	2,098,078	239,238	5,492,841	6,023,738
Total general revenues	<u>398,128,807</u>	<u>380,418,396</u>	<u>447,359,167</u>	<u>433,329,173</u>
Change in Net Assets	<u>\$ 22,553,404</u>	<u>\$ 19,324,793</u>	<u>\$ 73,768,543</u>	<u>\$ 53,983,885</u>

Note:

The District implemented GASB 34 beginning in 2002. As a result, ten years data is not available. Over time, ten fiscal years will be presented.

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

	Fiscal years 1996-2000				
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Fund Balances (Deficit)					
Unreserved, reported in					
General Fund	\$ 1,736,891	\$ 1,332,703	\$ 10,667,200	\$ 6,612,324	\$ 8,184,156 ⁽¹⁾
Special revenue funds	1,966,168	2,084,160	3,065,231	4,522,475 ⁽¹⁾	8,122,156 ⁽¹⁾
Capital projects funds	94,376,078	171,401,412	107,939,743	112,507,514	92,127,886
Debt service funds	115,196	(3,717,616)	712,396 ⁽¹⁾	1,614,537	2,724,060
Total fund balances	<u><u>\$ 98,194,333</u></u>	<u><u>\$ 171,100,659</u></u>	<u><u>\$ 122,384,570</u></u>	<u><u>\$ 125,256,850</u></u>	<u><u>\$ 111,158,258</u></u>

	Fiscal years 2001-2005				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Fund Balances (Deficit)					
Unreserved, reported in					
General Fund	\$ 999,028	\$ (2,819,020)	\$ (13,551,548)	\$ 13,190,954	\$ 31,836,517
Special revenue funds	8,257,539 ⁽¹⁾	7,225,462	11,222,575	20,882,265	29,932,416
Capital projects funds	68,833,381	46,613,244	23,228,580	12,964,788	7,381,496
Debt service funds	1,387,057	(893,172)	2,634,927	2,256,445	(221,949)
Total fund balances	<u><u>\$ 79,477,005</u></u>	<u><u>\$ 50,126,514</u></u>	<u><u>\$ 23,534,534</u></u>	<u><u>\$ 49,294,452</u></u>	<u><u>\$ 68,928,480</u></u>

⁽¹⁾ Fund balance as restated.

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

	Fiscal year			
	1996	1997	1998	1999
Revenues				
Property and other taxes	\$ 112,344,741	\$ 140,830,071	\$ 146,819,152	\$ 155,776,530
State School Fund	170,184,750	156,410,616	187,572,207	175,879,263
Local option taxes	-	-	-	-
County and intermediate sources	10,291,278	10,628,341	10,885,505	10,997,073
State Common School Fund	1,135,473	1,480,940	1,164,795	1,187,604
Federal and state support	59,406,134	59,923,313	61,290,193	67,129,610
Charges for services	3,300,082	3,555,970	3,285,157	1,821,159
Extracurricular activities	4,125,940	4,849,997	5,360,084	5,842,127
Investment earnings	6,740,085	11,952,950	12,023,731	8,357,365
Other	5,930,685	20,834,031	9,189,325	9,252,418
Total revenues	<u>373,459,168</u>	<u>410,466,229</u>	<u>437,590,149</u>	<u>436,243,149</u>
Expenditures				
Current Operating				
Instruction	219,475,067	221,539,248	227,729,663	240,125,273
Support services	131,360,028	153,058,179	192,467,439	185,418,653
Enterprise and Community Services	12,322,277	12,980,188	11,826,758	12,873,913
Facilities acquisition & construction	5,548,853	7,154,690	5,504,946	-
Debt Service				
Principal	13,075,000	25,528,066	31,176,870	92,507,724
Interest	7,662,963	17,037,257	17,138,701	14,719,094
Bond issue costs	-	-	-	-
Total expenditures	<u>389,444,188</u>	<u>437,297,628</u>	<u>485,844,377</u>	<u>545,644,657</u>
Excess (deficiency) of revenues over (under) expenditures	(15,985,020)	(26,831,399)	(48,254,228)	(109,401,508)
Other Financing Sources (Uses)				
Transfers in	23,929,536	23,160,120	20,796,278	30,960,049
Transfers out	(24,429,536)	(23,160,120)	(21,796,278)	(30,960,049)
Proceeds from borrowing	100,482,800	99,737,725	560,945	105,655,381
Proceeds from refunding	-	-	-	-
Defeasance of Bonds	-	-	-	-
Payments to escrow agent	-	-	-	-
Proceeds from the sale of property	-	-	10,867	5,998,503
Payments under capital leases	91,669	-	-	-
Total other financing sources (uses)	<u>100,074,469</u>	<u>99,737,725</u>	<u>(428,188)</u>	<u>111,653,884</u>
Net change in fund balances	<u>\$ 84,089,449</u>	<u>\$ 72,906,326</u>	<u>\$ (48,682,416)</u>	<u>\$ 2,252,376</u>
Debt services as a percentage of noncapital expenditures	5.4%	9.9%	10.1%	19.7%

Fiscal year

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$	153,568,334	\$ 170,871,461	\$ 166,429,819	\$ 178,202,707	\$ 181,356,289	\$ 173,146,732
	189,566,900	193,991,416	193,284,103	150,705,317	183,619,106	148,012,565
	-	-	14,879,271	16,263,204	17,164,911	31,750,751
	10,869,502	10,820,167	10,863,837	24,440,903	50,805,630	59,733,548
	3,822,492	4,096,001	1,527,383	3,100,444	1,251,379	3,783,920
	77,008,008	76,452,000	74,306,854	64,116,273	59,191,176	68,903,035
	1,791,888	4,087,934	4,693,192	4,213,286	9,650,171	9,476,938
	6,051,838	6,364,927	7,006,887	7,171,159	7,259,049	6,872,478
	10,074,238	10,049,828	5,126,090	2,127,932	1,752,164	3,017,686
	12,883,137	5,650,668	12,908,885	15,532,974	9,884,831	10,996,682
	<u>465,636,337</u>	<u>482,384,402</u>	<u>491,026,321</u>	<u>465,874,199</u>	<u>521,934,706</u>	<u>515,694,335</u>
	251,936,165	269,845,391	274,713,161	254,343,335	261,213,467	269,937,589
	172,477,618	185,375,670	181,564,677	156,682,040	158,109,666	167,966,730
	13,922,082	14,860,051	14,865,042	14,836,691	14,282,310	15,558,590
	-	-	-	15,638,257	9,177,488	5,274,400
	32,384,133	35,682,020	39,196,356	42,980,661	47,532,243	42,053,539
	14,540,768	14,037,401	12,343,301	8,982,698	6,562,979	3,986,688
	-	-	-	4,314,271	110,568	-
	<u>485,260,766</u>	<u>519,800,533</u>	<u>522,682,537</u>	<u>497,777,953</u>	<u>496,988,721</u>	<u>504,777,536</u>
	(19,624,429)	(37,416,131)	(31,656,216)	(31,903,754)	24,945,985	10,916,799
	9,136,011	6,896,908	9,740,939	8,850,365	16,535,425	17,918,545
	(9,888,370)	(6,896,908)	(9,740,939)	(8,850,365)	(16,535,425)	(17,918,545)
	6,052,477	-	-	490,933,461	11,900,000	-
	-	-	-	-	-	-
	(2,759,464)	-	-	-	-	-
	-	-	-	(486,617,609)	(11,842,867)	-
	3,601,751	4,520,758	2,305,725	995,922	756,800	8,717,229
	-	-	-	-	-	-
	<u>6,142,405</u>	<u>4,520,758</u>	<u>2,305,725</u>	<u>5,311,774</u>	<u>813,933</u>	<u>8,717,229</u>
\$	<u>(13,482,024)</u>	<u>(32,895,373)</u>	<u>(29,350,491)</u>	<u>(26,591,980)</u>	<u>25,759,918</u>	<u>19,634,028</u>
	9.7%	9.6%	9.9%	11.7%	11.1%	9.2%

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

Fiscal Year Ending June 30	Assessed Value (not including exempt property)				Total Assessed Value	Add: Non- Profit Housing	Less: Urban Renewal Excess	Total Net Assessed Value	Total Direct Tax Rate	Amount tax rate will raise	Less: Reduction and Adjustments	Total Taxes Imposed (Net Levy)
	Real Property	Personal Property	Manufactured Structure	Public Utility								
1996	22,378,472	1,028,619	n/a	839,303	\$ 24,246,394	\$ -	\$ -	24,246,394	\$ 4.6100	\$ 111,776	\$ (129)	\$ 111,905
1997	24,876,972	1,106,224	n/a	873,151	26,856,347	-	-	26,856,347	5.0500	135,625	(7,499)	143,124
1998	20,420,808	1,205,702	n/a	900,691	22,527,201	-	-	22,527,201	6.6705	150,268	3,669	146,599
1999	21,769,943	1,464,770	n/a	994,471	24,229,184	-	-	24,229,184	6.3185	153,092	3,606	149,486
2000	n/a	n/a	n/a	n/a	25,405,546	-	-	25,405,546	5.3534	136,006	(21,228)	157,234
2001	n/a	n/a	n/a	n/a	26,719,188	-	-	26,719,188	6.9959	186,925	10,293	176,632
2002	n/a	n/a	n/a	n/a	27,988,718	-	-	27,988,718	6.9747	195,213	9,777	185,436
2003	27,152,155	1,969,018	13,810	1,437,798	30,572,781	15,399	1,783,901	28,804,279	7.2206	207,984	7,777	200,207
2004	28,176,402	1,885,801	12,985	1,390,717	31,465,905	15,861	1,909,048	29,572,718	7.1160	210,439	7,145	203,294
2005	29,273,560	1,835,681	15,126	1,456,843	32,581,210	16,337	2,107,473	30,490,074	7.1792	218,894	7,689	211,205

Notes:

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

Source:

FY 1996-2002: Tax Supervising and Conservation Commission annual reports for the relevant fiscal year. Total assessed values do not include urban renewal excess.
FY 2003-2005: Oregon Property Tax Statistics Supplement for the appropriate fiscal year. Values are the combined total for the taxing district, "Portland 1J School", in Multnomah, Clackamas, and Washington counties.

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

District Direct Rates

Fiscal Year	General Tax Permanent Rate ¹	Local Option	GAP Bond (PERS)	General Obligation Debt Service Bonds	Total Direct Tax Rate
1996	\$ 4.6100	\$ -	\$ -	\$ -	\$ 4.6100
1997	5.0500	-	-	-	5.0500
1998	5.3618	-	-	1.3087	6.6705
1999	4.7743	-	0.5379	1.0063	6.3185
2000	4.7743	-	0.5273	0.0518	5.3534
2001	4.7743	0.7500	0.4875	0.9841	6.9959
2002	4.7743	0.7500	0.4570	0.9934	6.9747
2003	4.7743	0.7500	0.4674	1.2289	7.2206
2004	4.7743	0.7500	0.4167	1.1750	7.1160
2005	5.2781	0.7500	-	1.1511	7.1792

Overlapping Total Property Tax Rates

Fiscal Year	Multnomah County	Port of Portland	Metro	City of Portland	Portland Community College	Multnomah Education Service District
1996	\$ 3.7300	\$ 0.1300	\$ 0.3600	\$ 6.1300	\$ 0.3500	\$ 0.4100
1997	4.0400	0.0800	0.2900	6.2800	0.3300	0.3900
1998	4.8865	0.0700	0.3902	6.7799	0.3651	0.4581
1999	5.3923	0.0780	0.3644	6.8271	0.3515	0.4576
2000	5.2527	0.0753	0.3284	6.7930	0.3601	0.4576
2001	5.3050	0.0737	0.3401	6.8957	0.3717	0.4576
2002	5.2110	0.0707	0.3239	6.7161	0.5511	0.4576
2003	5.1742	0.0701	0.2835	6.9663	0.4944	0.4576
2004	5.2719	0.0701	0.2900	8.1893	0.5118	0.4576
2005	5.2785	0.0701	0.2838	7.9791	0.5099	0.4576

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

¹ The District paid off its "gap bonds" in May, 2004. Under the provisions of Ballot Measure 50, the District's permanent tax rate is increased from \$4.7743 to \$5.2781 to include what had been previously levied for payment of the gap bonds. Legislation passed in 2003 treats the increase the same as local option levies. The increase expires on June 30, 2004 so the District's permanent rate will go back to \$4.7743 for the 2005-06 fiscal year.

Source: The Tax Supervising and Conservation Commission annual reports for the relevant fiscal year. Fiscal years 1996 and 1997 are presented as the average property tax rate.

Schedule 7
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Principal Property Tax Payers for Multnomah County
Current Year and Nine Years Ago
Taxing District - 311 Portland School District

Taxpayer	2005			1996		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ten Largest Taxpayers						
Qwest Corporation	\$ 478,184,692	1	1.58%			
Portland General Electric	210,795,590	2	0.70	\$ 125,635,600	3	0.52%
Pacificorp	209,341,992	3	0.69	204,057,400	2	0.85
Wacker Silitronic Corp	169,330,176	4	0.56	77,851,680	6	0.32
LC Portland, LLC	134,660,374	5	0.45			
One Eleven Tower, LLC	106,511,128	6	0.35			
Oregon Arena Corp	102,786,716	7	0.34			
Northwest Natural Gas Co.	98,623,500	8	0.33	79,618,300	5	0.33
Nabisco Inc	97,206,416	9	0.32	65,470,920	8	0.27
Oregon Steel Mills Inc	94,203,056	10	0.31			
US West Communications Inc				337,365,402	1	1.40
S-I Lloyd Associates (Lloyd Ctr.)				98,293,600	4	0.41
US Bancorp				75,413,800	7	0.31
Atocem North America Inc				60,913,650	9	0.25
Twelve Hundred Bldg				58,248,670	10	0.24
Subtotal of Ten Largest Taxpayers	1,701,643,640		5.63	1,182,869,022		4.90
All Other Taxpayers	28,536,630,131		94.41	22,882,647,267		95.08
Total All Taxpayers	\$30,238,273,771		100.00%	\$24,065,516,289		100.00%

Source:
Multnomah County, Division of Assessment and Taxation

Schedule 8
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year ¹	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1996	\$ 111,904,978	\$ 105,877,268	94.61%	\$ 3,928,064	\$ 109,805,332	98.12%
1997	143,123,974	118,273,881	82.64	4,795,793	123,069,674	85.99
1998	146,598,607	140,697,837	95.97	5,094,372	145,792,209	99.45
1999	149,486,222	141,287,804	94.52	4,297,393	145,585,197	97.39
2000	157,234,206	148,099,203	94.19	4,678,422	152,777,625	97.17
2001	176,631,928	166,127,224	94.05	6,093,274	172,220,498	97.50
2002	185,435,529	174,460,215	94.08	4,946,542	179,406,757	96.75
2003	200,207,113	188,165,384	93.99	5,337,362	193,502,746	96.65
2004	203,293,962	191,749,647	94.32	3,257,186	195,006,833	95.92
2005	211,204,986	198,860,608	94.16	-	198,860,608	94.16

Note:

The net taxes levied are combined for Multnomah, Washington, and Clackamas counties. Responsibility for the collection of all property taxes rests within the County's 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. Additional information can be found on Schedule 5.

Schedule 9
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	General Bonded Debt			Percentage of Actual Taxable Value of Property ¹	Per Student ²
	General Obligation Bonds	Less Amount Available for Repayment	Net General Obligation Bonds Outstanding		
1996	\$ 100,000	\$ 500	\$ 99,500	0.41%	1,738
1997	185,450	(3,743)	189,193	0.70	3,261
1998	169,450	712	168,738	0.75	2,982
1999	154,450	1,609	152,841	0.63	2,738
2000	136,550	2,713	133,837	0.53	2,445
2001	115,825	1,371	114,454	0.43	2,103
2002	92,175	(900)	93,075	0.33	1,719
2003	65,375	2,628	62,747	0.22	1,185
2004	34,675	2,256	32,419	0.11	663
2005	-	-	-	-	-

Fiscal Year	Other Governmental Activities Debt				Total District ³	Per Student ²	Per Capita ⁴
	Limited Tax G.O. Refunding Bonds	Certificates of Participation	Refunding Special Obligations	Small Scale Energy Loan Programs			
1996	\$ 86,520	\$ 16,150	\$ 12,270	\$ -	\$ 214,440	\$ 3,745	\$ 502
1997	78,620	11,115	11,370	-	290,298	5,003	680
1998	70,365	5,745	10,435	-	255,283	4,512	598
1999	61,875	43,310	9,465	-	267,491	4,791	626
2000	52,490	39,685	8,455	-	234,467	4,283	549
2001	42,755	35,945	7,405	7,192	207,751	3,817	486
2002	32,670	32,060	6,310	6,710	170,825	3,155	400
2003	513,474	28,015	5,160	6,195	615,591	11,622	1,442
2004	502,628	23,810	3,960	5,642	568,459	11,629	1,331
2005	500,485	19,435	2,705	4,967	527,592	11,071	1,235

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

¹ See Schedule 5 for property value data.

² Student enrollment data can be found in Schedule 15

³ Includes net general bonded debt and other governmental activities debt.

⁴ Per capita is calculated using the estimated District population of 427,037 from the 2000 Census per the Portland State University Population and Research Center.

Schedule 10
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2005
(dollars in thousands)

<u>Overlapping Issuer</u>	<u>Net Property-tax Backed Debt¹</u>	<u>Percent Overlapping</u>	<u>Overlapping Debt</u>
Clackamas County	\$ 95	0.1147%	\$ -
Clackamas Cty RFPD #1	8,000	0.0463	4
City of Lake Oswego	32,300	5.5730	1,800
City of Milwaukie	2,375	0.6150	15
Multnomah County	72,070	71.5230	51,547
METRO	124,915	34.5832	43,200
Tri-Met	85,535	34.7524	29,725
Portland Community College	81,438	43.8245	35,690
City of Portland	54,460	84.0175	45,756
Washington County	60,545	0.6211	376
Tualatin Hills Park & Rec. Dist.	16,605	1.3506	224
Tualatin Valley Water District	870	0.3339	3
Tualatin Valley Fire & Rescue Dist.	5,320	2.1128	112
City of Beaverton	3,825	1.8655	<u>71</u>
Subtotal, overlapping debt			208,523
Direct District net property-tax backed debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 208,523</u>

¹ Net Property-tax Backed Debt includes all General Obligation (GO) bonds and Limited-tax GO bonds, less Self-supporting Unlimited-tax (GO) and Self-supporting Limited-tax GO debt.

Source:
Oregon State Treasury, Debt Management Division

Schedule 11
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2005

Real Market Value	\$ 50,805,787
Debt Limit (7.95%) ¹	4,039,060
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonded Debt	-
Less: Amount Available in Debt Service Funds	-
Amount of Debt Applicable to Debt Limit	<u> -</u>
Legal Debt margin	<u>\$ 4,039,060</u>

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt Limit	\$ 1,927,588	\$ 2,135,080	\$ 2,337,485	\$ 2,486,563	\$ 2,890,190	\$ 3,120,981	\$ 3,421,393	\$ 3,603,191	\$ 3,810,833	\$ 4,039,060
Total net debt applicable to limit	<u>99,500</u>	<u>189,193</u>	<u>168,738</u>	<u>152,841</u>	<u>133,837</u>	<u>114,454</u>	<u>93,075</u>	<u>60,747</u>	<u>32,419</u>	<u>-</u>
Legal debt margin	<u>\$ 1,828,088</u>	<u>\$ 1,945,887</u>	<u>\$ 2,168,747</u>	<u>\$ 2,333,722</u>	<u>\$ 2,756,353</u>	<u>\$ 3,006,527</u>	<u>\$ 3,328,318</u>	<u>\$ 3,542,444</u>	<u>\$ 3,778,414</u>	<u>\$ 4,039,060</u>
Total net debt applicable to the limit as a percentage of debt limit	5.16%	8.86%	7.22%	6.15%	4.63%	3.67%	2.72%	1.69%	0.85%	0.00%

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

^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

^B Ninth through twelfth, 4 x .0075

Source

Market value per Multnomah County, Tax Supervising and Conservation Commission

	4.95%
	<u>3.00%</u>
	<u><u>7.95%</u></u>

Schedule 12
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Demographic and Economic Statistics
Last Ten Calendar Years
Multnomah County

Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income	Unemployment Rate
1996	639,587	\$ 16,988,935	\$ 26,562	5.0%
1997	647,083	17,851,213	27,587	4.8
1998	652,416	18,949,705	29,045	4.7
1999	657,740	19,735,801	30,005	5.0
2000	661,477	21,384,426	32,328	4.7
2001	668,650	22,589,707	33,784	6.3
2002	675,066	22,854,748	33,856	8.1
2003	677,772	23,055,931	34,017	8.6
2004	- ¹	- ¹	- ¹	7.6
2005	- ¹	- ¹	- ¹	6.6 ²

¹ Data for 2004 and 2005 not available at time of printing.

² As of June, 2005

Sources:

Population, personal income and per capita information: US Department of Commerce, Bureau of Economic Analysis. Data for 2004 and 2005 was unavailable at time of printing.

Unemployment rate information: US Department of Labor, Bureau of Labor Statistics

Schedule 13
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Principal Employers for the Portland Metro Area
Current Year and Nine Years Ago

Employer	2005			1996		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Ten Largest Employers						
Intel Corp.	14,363	1	1.39%	8,000	1	0.84%
Providence Health System	13,753	2	1.33	5,785 ¹	4	0.61
Oregon Health & Science University	11,400	3	1.10			
Legacy Health System	7,907	4	0.77	4,791 ¹	6	0.50
Kaiser Foundation Health Plan	7,433	5	0.72	6,071 ¹	3	0.64
Portland School District	6,700	6	0.65			
Nike Inc.	5,742	7	0.56	3,300	10	0.35
City of Portland	5,355	8	0.52			
Fred Meyer Stores	5,300	9	0.51	7,803 ¹	2	0.82
Safeway Inc., Portland Division	5,282	10	0.51			
US Bancorp				4,895	5	0.51
Freightliner Corp.				4,789	7	0.50
Tektronix Inc				4,600	8	0.48
First Interstate Bank				4,083	9	0.43
Subtotal of Ten Largest Employers	83,235		8.06	54,117		5.68
All Other Employers	949,365		91.94	901,483		94.32
Total Portland PMSA² Employment	1,032,600 ³		100.00%	955,600		100.00%

¹ Number of employees is listed as FTE (full-time equivalent)

² Portland PMSA includes Clackamas, Columbia, Multnomah, Washington, and Yamhill counties in Oregon and Clark County, Washington.

³ As of June 2005

Sources:

Portland Business Alliance, Book of Lists published for 2005 & 1996

Oregon Employment Department, Workforce and Economic Research

Schedule 14
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Full-time Equivalent District Employees by Assignment/Function
Fiscal Year 2004-2005

Assignment/Function	Full-time Equivalent Employees for the Fiscal Year 2004-05
Instructional Staff	
Prekindergarten teachers	32.5
Kindergarten teachers	132.9
Elementary teachers	1,231.9
Secondary teachers	608.2
Teachers of ungraded classes	653.4
Educational assistants	671.7
Instructional coordinators and supervisors	138.3
Subtotal Instructional Staff	<u>3,468.9</u>
Support Services Staff	
Elementary guidance	80.0
Secondary guidance	47.5
Librarians/media specialists	28.1
Library and media support staff	59.0
District administrators	16.8
District support staff	254.8
School administrators	143.0
School administrative support staff	238.3
Student services support staff	277.6
All other support staff ¹	433.9
Subtotal Support Services Staff	<u>1,579.0</u>
Total FTE	<u><u>5,047.9</u></u>

Note:

Information for fiscal years prior to 2004-05 not readily available. Over time, ten fiscal years of data will be presented.

¹ All other support staff include data processing, maintenance, bus drivers, security, and cafeteria workers.

Source:

District Budget Office/ Management Information Services

Schedule 15
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Operating Statistics

Note:

Operating statistical data not readily available at time of printing. Over time, ten fiscal years data will be presented.

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

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Elementary Schools and Programs										
Abernethy (1924)										
Gross Floor Area (sq ft): 50,358										
Elementary Enrollment	213	208	202	209	185	198	204	213	199	203
Focus/Alt Prog Enrollment	133	179	190	182	185	190	218	225	233	-
Ainsworth w/Annex (1912)										
Gross Floor Area (sq ft): 57,593										
Elementary Enrollment	521	523	530	547	565	552	549	557	522	499
Alameda (1921)										
Gross Floor Area (sq ft): 64,138										
Elementary Enrollment	705	671	696	685	652	641	622	648	631	630
Applegate (1954)										
Gross Floor Area (sq ft): 26,101										
Elementary Enrollment	265	269	269	252	242	203	212	209	198	138
Arlota (1929)										
Gross Floor Area (sq ft): 76,489										
Elementary Enrollment	469	470	438	407	387	369	352	339	330	332
Astor (1949)										
Gross Floor Area (sq ft): 47,360										
Elementary Enrollment	384	393	380	354	349	352	337	311	283	287
Atkinson (1953)										
Gross Floor Area (sq ft): 58,057										
Elementary Enrollment	437	453	521	533	545	566	543	536	537	553
Ball (1948)										
Gross Floor Area (sq ft): 24,594										
Elementary Enrollment	338	332	299	350	333	318	309	312	226	228
Beach (1928)										
Gross Floor Area (sq ft): 70,404										
Elementary Enrollment	796	766	722	718	637	553	504	468	411	419
Boise-Eliot (1926)										
Gross Floor Area (sq ft): 61,369										
Elementary Enrollment	740	684	696	676	696	685	672	647	584	523
Bridger (1951)										
Gross Floor Area (sq ft): 45,142										
Elementary Enrollment	254	276	261	284	301	284	309	431	378	387
Bridlemile (1956)										
Gross Floor Area (sq ft): 59,037										
Elementary Enrollment	579	506	491	490	475	477	449	436	460	450
Brooklyn (1930)										
Gross Floor Area (sq ft): 39,084										
Elementary Enrollment	237	240	211	187	139	156	140	121	-	-
Focus/Alt Prog Enrollment	-	99	139	143	165	159	169	167	254	296
Buckman (1922)										
Gross Floor Area (sq ft): 82,023										
Elementary Enrollment	508	541	525	547	563	536	530	534	526	529

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

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Capitol Hill (1917)										
Gross Floor Area (sq ft): 47,275										
Elementary Enrollment	370	339	325	331	305	285	310	308	282	255
Chapman (1923)										
Gross Floor Area (sq ft): 62,962										
Elementary Enrollment	557	581	547	550	558	513	527	484	449	414
Chief Joseph (1949)										
Gross Floor Area (sq ft): 46,204										
Elementary Enrollment	375	350	373	362	326	320	298	287	266	234
Clarendon (1970)										
Gross Floor Area (sq ft): 42,958										
Elementary Enrollment	431	445	439	455	456	417	393	416	338	339
Clark (1955)										
Gross Floor Area (sq ft): 50,595										
Elementary Enrollment	539	574	553	545	537	531	532	556	515	499
Creston w/ Annex (1946)										
Gross Floor Area (sq ft): 80,940										
Elementary Enrollment	402	406	378	380	398	361	353	327	301	246
Duniway (1926)										
Gross Floor Area (sq ft): 67,492										
Elementary Enrollment	476	486	446	430	416	419	431	432	453	443
Edwards (1960)										
Gross Floor Area (sq ft): 20,502										
Elementary Enrollment	237	228	228	216	201	218	212	202	189	199
Faubion (1950)										
Gross Floor Area (sq ft): 57,846										
Elementary Enrollment	366	360	350	318	319	334	302	299	272	269
Forest Park (1998)										
Gross Floor Area (sq ft): 42,000										
Elementary Enrollment	-	-	-	184	226	284	334	377	407	456
Glencoe (1923)										
Gross Floor Area (sq ft): 64,378										
Elementary Enrollment	492	501	468	451	453	430	449	424	430	442
Grout (1927)										
Gross Floor Area (sq ft): 65,838										
Elementary Enrollment	454	443	393	364	354	323	295	248	314	320
Hayhurst (1954)										
Gross Floor Area (sq ft): 56,266										
Elementary Enrollment	379	379	360	294	288	259	271	259	212	353
Hollyrood (1959)										
Gross Floor Area (sq ft): 15,701										
Elementary Enrollment	184	208	197	213	186	196	191	208	225	211
Humboldt (1959)										
Gross Floor Area (sq ft): 46,865										
Elementary Enrollment	464	467	416	405	343	325	326	283	257	255

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

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Irvington (1932)										
Gross Floor Area (sq ft): 65,285										
Elementary Enrollment	589	560	576	562	501	511	510	506	491	473
James John (1929)										
Gross Floor Area (sq ft): 63,697										
Elementary Enrollment	606	641	643	625	618	592	564	551	514	481
Kelly w/ Kelly Center (1957)										
Gross Floor Area (sq ft): 97,546										
Elementary Enrollment	536	553	578	585	554	526	481	491	491	478
Kenton (1913)										
Gross Floor Area (sq ft): 52,363										
Elementary Enrollment	301	289	245	240	250	249	233	252	225	166
King (1925)										
Gross Floor Area (sq ft): 88,957										
Elementary Enrollment	774	789	793	760	732	733	710	583	544	525
Laurelhurst (1923)										
Gross Floor Area (sq ft): 46,204										
Elementary Enrollment	548	550	557	536	512	526	526	561	561	558
Lee (1952)										
Gross Floor Area (sq ft): 73,276										
Elementary Enrollment	403	381	422	402	391	409	408	419	387	333
Lent (1948)										
Gross Floor Area (sq ft): 76,478										
Elementary Enrollment	363	341	376	390	397	401	400	383	335	355
Lewis (1952)										
Gross Floor Area (sq ft): 48,380										
Elementary Enrollment	271	263	281	270	263	292	294	294	289	271
Llewellyn (1928)										
Gross Floor Area (sq ft): 50,651										
Elementary Enrollment	387	367	360	362	330	336	311	315	302	298
Maplewood (1948)										
Gross Floor Area (sq ft): 35,022										
Elementary Enrollment	342	320	290	304	295	305	309	279	288	285
Markham (1950)										
Gross Floor Area (sq ft): 82,794										
Elementary Enrollment	413	354	336	395	393	370	358	333	330	301
Focus/Alt Prog Enrollment	-	90	85	-	-	-	-	-	-	-
Marysville (1921)										
Gross Floor Area (sq ft): 53,490										
Elementary Enrollment	400	436	397	416	397	400	395	394	367	349
Meek (1953)										
Gross Floor Area (sq ft): 32,477										
Elementary Enrollment	290	247	249	260	242	198	198	219	-	-
Focus/Alt Prog Enrollment	-	-	-	-	-	-	-	-	158	146

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

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Peninsula (1952)										
Gross Floor Area (sq ft): 70,151										
Elementary Enrollment	302	321	301	293	331	323	328	333	293	271
Richmond (1908)										
Gross Floor Area (sq ft): 77,070										
Elementary Enrollment	562	544	521	508	490	477	470	443	415	393
Rieke (1959)										
Gross Floor Area (sq ft): 30,647										
Elementary Enrollment	300	290	281	284	278	288	307	266	276	266
Rigler (1931)										
Gross Floor Area (sq ft): 59,760										
Elementary Enrollment	569	568	576	544	506	525	492	474	489	466
Rose City Park (1921)										
Gross Floor Area (sq ft): 75,693										
Elementary Enrollment	598	592	551	529	510	467	470	489	446	433
Sabin (1927)										
Gross Floor Area (sq ft): 71,946										
Elementary Enrollment	585	579	543	460	415	394	370	292	393	413
Scott (1949)										
Gross Floor Area (sq ft): 62,681										
Elementary Enrollment	533	561	581	539	520	492	512	457	442	377
Sitton (1949)										
Gross Floor Area (sq ft): 58,762										
Elementary Enrollment	439	449	417	423	404	436	421	371	359	338
Skyline (1939)										
Gross Floor Area (sq ft): 37,245										
Elementary Enrollment	281	283	311	225	221	203	209	201	214	197
Smith (1958)										
Gross Floor Area (sq ft): 38,472										
Elementary Enrollment	260	273	285	254	239	234	252	251	238	219
Stephenson (1964)										
Gross Floor Area (sq ft): 40,539										
Elementary Enrollment	431	431	396	406	385	369	393	353	352	348
Sunnyside (1925)										
Gross Floor Area (sq ft): 54,361										
Elementary Enrollment	353	341	331	313	319	325	334	276	203	459
Vernon (1931)										
Gross Floor Area (sq ft): 72,323										
Elementary Enrollment	560	540	560	548	521	502	445	405	445	386
Vestal (1929)										
Gross Floor Area (sq ft): 66,378										
Elementary Enrollment	320	310	284	258	243	241	227	367	344	322
Whitman (1954)										
Gross Floor Area (sq ft): 69,755										
Elementary Enrollment	438	475	432	413	417	453	475	433	431	421

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

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Wilcox (1959)										
Gross Floor Area (sq ft): 19,102										
Elementary Enrollment	212	188	188	173	185	195	197	-	-	-
Woodlawn (1926)										
Gross Floor Area (sq ft): 61,595										
Elementary Enrollment	518	519	538	582	517	547	518	460	443	409
Woodmere (1954)										
Gross Floor Area (sq ft): 59,293										
Elementary Enrollment	456	460	485	491	488	474	503	490	477	458
Woodstock (1955)										
Gross Floor Area (sq ft): 69,135										
Elementary Enrollment	393	367	354	320	322	337	372	364	345	343
Youngson (1955)										
Gross Floor Area (sq ft): 32,824										
Elementary Enrollment	222	222	220	187	197	185	177	-	-	-
Middle Schools and Programs										
Beaumont (1926)										
Gross Floor Area (sq ft): 94,431										
Middle School Enrollment	708	711	710	670	629	631	670	610	577	542
Binnsmead (1949)										
Gross Floor Area (sq ft): 109,059										
Middle School Enrollment	795	709	709	646	647	699	735	769	687	687
Fernwood (1911)										
Gross Floor Area (sq ft): 74,963										
Middle School Enrollment	660	600	567	556	591	575	608	632	644	582
George (1950)										
Gross Floor Area (sq ft): 78,713										
Middle School Enrollment	572	588	561	571	555	549	558	546	467	473
Gray (1951)										
Gross Floor Area (sq ft): 60,624										
Middle School Enrollment	532	489	537	523	507	508	526	533	497	520
Gregory Heights (1923)										
Gross Floor Area (sq ft): 95,438										
Middle School Enrollment	839	832	781	769	781	812	821	740	718	630
Hosford (1925)										
Gross Floor Area (sq ft): 77,050										
Middle School Enrollment	614	515	482	434	431	426	374	386	377	405
Jackson (1964)										
Gross Floor Area (sq ft): 247,779										
Middle School Enrollment	785	795	770	842	808	796	807	823	768	773
Kellogg (1917)										
Gross Floor Area (sq ft): 94,592										
Middle School Enrollment	777	743	667	635	645	645	667	671	633	591
Lane (1926)										
Gross Floor Area (sq ft): 87,438										
Middle School Enrollment	749	726	770	658	657	678	696	652	638	592

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

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Mt. Tabor (1952)										
Gross Floor Area (sq ft): 83,076										
Middle School Enrollment	685	696	732	678	672	670	700	707	729	696
Ockley Green (1925)										
Gross Floor Area (sq ft): 71,937										
Middle School Enrollment	733	661	587	519	486	408	490	475	427	385
Portsmouth (1927)										
Gross Floor Area (sq ft): 75,814										
Middle School Enrollment	506	494	459	460	403	434	489	522	466	460
Sellwood (1913)										
Gross Floor Area (sq ft): 86,823										
Middle School Enrollment	631	601	567	542	533	584	602	619	593	603
Tubman w/ Annex (1952)										
Gross Floor Area (sq ft): 96,860										
Middle School Enrollment	533	581	518	508	565	541	517	463	373	294
West Sylvan (1953)										
Gross Floor Area (sq ft): 104,009										
Middle School Enrollment	886	872	876	881	878	907	915	947	897	884
Whitaker Lakeside Holding (1953)										
Gross Floor Area (sq ft): 63,501										
Middle School Enrollment	-	-	-	-	-	675	482	441	357	289
High Schools and Programs										
Benson (1917)										
Gross Floor Area (sq ft): 410,910										
High School Enrollment	1,457	1,457	1,455	1,457	1,486	1,475	1,479	1,501	1,498	1,501
Focus/Alt Prog Enrollment	-	58	24	-	-	-	-	-	10	20
Cleveland (1929)										
Gross Floor Area (sq ft): 253,895										
High School Enrollment	1,218	1,237	1,232	1,255	1,242	1,322	1,366	1,381	1,388	1,332
Franklin (1915)										
Gross Floor Area (sq ft): 237,027										
High School Enrollment	1,624	1,580	1,564	1,547	1,464	1,488	1,470	1,460	1,528	1,547
Grant (1923)										
Gross Floor Area (sq ft): 275,173										
High School Enrollment	1,521	1,692	1,767	1,907	1,912	1,794	1,798	1,848	1,835	1,848
Focus/Alt Prog Enrollment	108	118	113	99	90	83	82	100	98	76
Jefferson (1909)										
Gross Floor Area (sq ft): 360,911										
High School Enrollment	1,068	955	985	916	842	892	855	826	702	661
Lincoln (1950)										
Gross Floor Area (sq ft): 236,893										
High School Enrollment	1,342	1,362	1,338	1,357	1,304	1,374	1,469	1,429	1,483	1,444
Madison (1955)										
Gross Floor Area (sq ft): 370,112										
High School Enrollment	1,312	1,300	1,243	1,239	1,236	1,241	1,204	1,261	1,194	1,063
Focus/Alt Prog Enrollment	-	14	-	-	-	-	-	-	-	-

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

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Marshall (1959)										
Gross Floor Area (sq ft): 271,427										
High School Enrollment	1,263	1,284	1,277	1,348	1,332	1,278	1,222	1,102	949	906
Roosevelt w/ Auto Shop (1921)										
Gross Floor Area (sq ft): 274,478										
High School Enrollment	1,286	1,324	1,205	1,118	1,155	1,131	1,141	989	825	850
Focus/Alt Prog Enrollment	-	-	63	-	-	-	-	-	-	-
Wilson (1954)										
Gross Floor Area (sq ft): 326,062										
High School Enrollment	1,390	1,450	1,503	1,514	1,576	1,614	1,644	1,630	1,580	1,531
Facilities with Focus/Alternative Programs										
Glenhaven Vocational Village (1913)										
Gross Floor Area (sq ft): 63,714										
Focus/Alt Prog Enrollment	201	201	190	198	205	192	160	188	-	-
Metropolitan Learning Center (Couch) (1914)										
Gross Floor Area (sq ft): 68,135										
Focus/Alt Prog Enrollment	456	461	490	426	426	419	418	420	432	439
daVinci (Monroe) (1928)										
Gross Floor Area (sq ft): 99,219										
Focus/Alt Prog Enroll. (daVinci)	-	140	221	312	318	316	319	320	327	350
Focus/Alt Prog Enroll. (other)	117	90	90	65	61	43	46	35	-	23
Students in Focus/Alt. Programs located at other PPS facilities										
Focus/Alt Prog Enroll. (Head Start)	568	580	569	574	566	606	527	620	539	528
Focus/Alt Prog Enroll. (other)	178	158	151	97	-	17	32	9	-	-
Administrative and Other Facilities										
BESC (1978)										
Gross Floor Area (sq ft): 381,723										
Child Service Center (1924)										
Gross Floor Area (sq ft): 190,597										
Focus/Alt Prog Enrollment	-	-	82	44	49	42	-	-	-	-
Columbia Holding (1937)										
Gross Floor Area (sq ft): 37,746										
Columbia Bus Barn Bldg (na)										
Gross Floor Area (sq ft): 9,600										
Columbia Bus Parking (portable) (na)										
Gross Floor Area (sq ft): 960										
Foster (1962)										
Gross Floor Area (sq ft): 12,462										
Green Thumb (1974)										
Gross Floor Area (sq ft): 32,767										
Holladay Center w/ Annex (1970)										
Gross Floor Area (sq ft): 61,457										
King Neighborhood Facility (1974)										
Gross Floor Area (sq ft): 9,200										

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

	Fiscal Year									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Mallory Site (portables) (na)										
Gross Floor Area (sq ft): 2,048										
Masonic Temple At Jefferson (na)										
Gross Floor Area (sq ft): 16,245										
Rice (1955)										
Gross Floor Area (sq ft): 16,990										
Sacajawea (1952)										
Gross Floor Area (sq ft): 18,751										
Sylvan (1933)										
Gross Floor Area (sq ft): 24,986										
Terwilliger (1916)										
Gross Floor Area (sq ft): 24,646										
Whitaker - Killingsworth (1967)										
Gross Floor Area (sq ft): 268,899										
Middle School Enrollment	878	861	764	705	703	-	-	-	-	-
	Age of buildings (in years)									
	<u>Oldest</u> <u>Median</u> <u>Newest</u>									
Gross Floor Area (sq ft) Summary:										
Elementary Schools	3,523,923		97	57	7					
Middle Schools	1,602,107		94	78	41					
High Schools	3,016,888		96	79	46					
Focus/Alternative Schools	231,068		92	91	77					
Other Facilities	<u>1,109,077</u>		89	47	27					
Total Gross Floor Area (sq ft)	<u>9,483,063</u>		97	57	7					
Enrollment Summary:										
Regular Programs										
Elementary Schools	26,727	26,503	25,972	25,594	24,818	24,420	24,125	23,177	21,924	21,505
Middle Schools	11,883	11,474	11,057	10,597	10,491	10,538	10,657	10,536	9,848	9,406
High Schools	13,481	13,641	13,569	13,658	13,549	13,609	13,648	13,427	12,982	12,683
Focus/Alternative Programs	1,761	2,188	2,407	2,140	2,065	2,067	1,971	2,084	2,051	1,878
Plus enrollment not normally within PPS facilities:										
Community Based Programs	1,036	1,569	1,466	1,673	1,706	1,416	1,297	1,381	1,270	1,171
Special Education Programs	2,378	2,647	2,112	2,169	2,117	2,311	2,330	2,170	462	562
Public Charter Programs	-	-	-	-	-	66	122	194	346	451
Total Enrollment	<u>57,266</u>	<u>58,022</u>	<u>56,583</u>	<u>55,831</u>	<u>54,746</u>	<u>54,427</u>	<u>54,150</u>	<u>52,969</u>	<u>48,883</u>	<u>47,656</u>

Sources:

Gross Floor Area - PPS Facilities and Asset Management "Gross Floor Areas, Site Areas, and Year of Construction for Original Building on Site"; Rel. March 4, 2003. Gross area includes portables, fieldhouses, and tunnels; no unfinished attic space is included.

Enrollment - PPS Budget Office/Management Information Services, "Enrollment Summaries, October 2004"; Prepared December 22, 2004. Enrollment counts are compiled on or about the first of October. An enrolled student is defined as a student who attends one or more schools or programs within the District. Regardless of the number of schools or programs attended, each student is counted only once; the counts are unduplicated.



PAULY, ROGERS AND CO., P.C.

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November 23, 2005

2004-2005 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, 2005, and have issued our report thereon dated November 23, 2005.

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

The management of School District No. 1, Multnomah County, Oregon, is responsible for establishing and maintaining an internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control 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, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls 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, 2005, we obtained an understanding of the internal control. With respect to the internal control, 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.

Our consideration of the internal control would not necessarily disclose all matters in the internal control 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 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 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.

2004-2005 AUDITORS' COMMENTS AND DISCLOSURES (Continued)

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 for the District's budget period.

2004-2005 and 2005-2006 BUDGETS

The budgets adopted by the District for the years ended June 30, 2005 and ending June 30, 2006 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.

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, 2005, 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 2004-2005. The debt outstanding appeared to be within this limit.

OUTSTANDING WARRANTS

The District had no outstanding endorsed warrants at June 30, 2005.

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, related internal control, and other matters, along with a schedule of federal awards, are contained in a separate report related to the requirements of the Single Audit Act Amendments of 1996 and OMB Circular A-133.

2004-2005 AUDITORS' COMMENTS AND DISCLOSURES (Continued)

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, 2005.

Based on the work described above, we found no instances where the District did not comply with the rules and regulations 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, 2005.

Poole, Rogers and Co., P.C.