

School District No. 1, Multnomah County, Oregon

Portland Public Schools



Comprehensive Annual Financial Report

For the year ended June 30, 2006



The mission of the Portland Public Schools is to support all students in achieving their very highest educational and personal potential, to inspire in them an enduring love for learning, and prepare them to contribute as citizens of a diverse, multicultural, and international community.

Portland Public Schools

*Comprehensive Annual
Financial Report*

For the Year Ended June 30, 2006

School District No. 1, Multnomah County, Oregon

Portland, Oregon

Prepared by the Department of Finance

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2006

Table of Contents

SECTION I - INTRODUCTORY

Letter of Transmittal	i
Principal Officials	viii
Organizational Chart	ix
GFOA Certificate of Achievement for Excellence in Financial Reporting	x
ASBO Certificate of Excellence in Financial Reporting	xi

SECTION II - FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Proprietary Financial Statements	
Statement of Net Assets	19
Statement of Revenues, Expenses, and Changes in Net Assets	20
Statement of Cash Flows	21
Notes to the Basic Financial Statements	22
Required Supplementary Information	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund	40
Grant Fund	42
PERS Rate Stabilization Reserve Fund	44
Supplementary Information	
Combining Statements - Nonmajor Governmental Funds	
Combining Balance Sheet-Nonmajor Funds	
Combining by Fund Types	47
Special Revenue Funds	48
Debt Service Funds	49
Capital Projects Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
Combining by Fund Types	51
Special Revenue Funds	52
Debt Service Funds	53
Capital Projects Funds	54
Budgetary Comparison Schedules - Nonmajor Governmental Funds	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Governmental Funds	
Student Body Activity Fund	57

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2006

Table of Contents, continued

Budgetary Comparison Schedules - Nonmajor Governmental Funds

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

Governmental Funds, continued

Cafeteria Fund	58
BESC Cafeteria Fund	59
Special Revenue Funds	60
System Project Debt Service Fund	62
BESC Special Obligation Debt Service Fund	63
Bond Sinking Fund	64
General Obligation Bond Debt Service Fund	65
System Project Fund	66
Facilities Improvement/Technology Fund	67
Facilities Improvement II Fund	68
Self-Insurance Fund	69

Other Financial Schedules:

Schedule of Property Tax Transactions:

General Fund	72
Debt Service Funds	74

Capital Assets Used in the Operation of Governmental Funds

Schedule By Source	76
Schedule By Function and Activity	77
Schedule of Changes By Function and Activity	78

SECTION III - STATISTICAL SECTION

Financial Trend Information:

Condensed Statement of Net Assets	81
Changes in Net Assets	82
Fund Balances of Governmental Funds	83
Changes in Fund Balances of Governmental Funds	84

Revenue Capacity Information:

Assessed Values of Taxable Property within School District No.1 Boundaries	86
Direct and Overlapping Property Tax Rates	87
Principal Property Tax Payers for Multnomah County	88
Property Tax Levies and Collections	89

Debt Capacity Information:

Ratio of Outstanding Debt by Type	90
Direct and Overlapping Governmental Activities Debt	91
Legal Debt Margin Information	92

Demographic and Economic Information:

Demographic and Economic Statistics	93
Principal Employers for the Portland Metro Area	94

Operating Information

Full Time Equivalent District Employees by Assignment/Function	95
Meal and Transportation Services Provided	96
School Building and Student Enrollment Information	97

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Comprehensive Annual Financial Report
For the Year Ended June 30, 2006

Table of Contents, continued

SECTION IV - AUDIT COMMENTS AND DISCLOSURES

Audit Comments and Disclosures	105
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance with Other Matters based on an audit of Financial Statements Performed in Accordance with Government Auditing Standards	109

INTRODUCTORY SECTION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006
[TAB INSERT]

INTRODUCTORY SECTION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006
[TAB INSERT]

December 11, 2006

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, 2006.

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' 2005 CAFR.

The **Financial Section** includes the independent auditor's report, Management's Discussion and Analysis (MD&A), the basic financial statements including notes to the basic financial statements, required supplementary information (RSI), and 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 second year for implementation of GASB Statement No. 44, resulting in new schedules designed to improve the understandability and usefulness of the information presented in the statistical section.

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

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, Talbot, Korvola & Warwick, LLP, have completed their audit of the basic financial statements for the fiscal year ended June 30, 2006, and their unqualified Independent Auditor's 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 eighteenth 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 Talbot, Korvola & Warwick, LLP 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 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Portland Public Schools' MD&A can be found immediately following the Independent Auditor's Report.

Profile of the District

Established in 1851, Portland Public Schools is the largest and oldest school district in the State of Oregon. 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 500,000 including portions of the cities of Portland (pop. 533,427), Lake Oswego (pop. 36,502), and Milwaukie (pop. 20,810). The District maintains 106 facilities with a total floor area of close to 9.5 million square feet. Please see pages 97 through 104 for details of each building's size, age, and enrollment.

Student enrollment at October 31, 2005 was 47,008. 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 2005 Portland Public Schools Student Enrollment			
Program Type	Number of Programs	Enrollment	Enrollment Distribution
Regular Schools and Programs			
Elementary Schools	57	21,381	46%
Middle Schools	16	8,587	18%
High Schools	16	12,540	26%
Total Regular Schools & Programs	89	42,508	90%
Magnet/Special Focus Programs	9	2,096	5%
Total Regular & Special Focus Programs	98	44,604	95%
Community-Based Programs	21	1,308	3%
Special Education Programs	16	525	1%
Public Charter Programs	5	571	1%
Total Programs and Enrollment	140	47,008	100%

Source: PPS; Enrollment Summaries, October 2005

Since 1997 the District has experienced constant yearly decreases in enrollments. Based on enrollment counts in October 2005, total enrollment declined by 600 students from 2004. 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 600 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 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, the 2004-05 and the 2005-06 school years, this income tax generated \$36.5 million, \$47.8 million, and \$47.4 million of new revenue for the District, respectively. In accordance with the ballot measure, 70% of the income tax proceeds were divided equally on a per pupil basis among the eight school districts in Multnomah County. The remaining 30% of the tax proceeds were targeted for County programs in senior services, public safety, and healthcare. County income tax proceeds represent approximately 12.4% 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.

- 2005-06 marked the second 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 for Portland Public Schools students at the Elementary and Middle school levels.

Grade Level	English/Language Arts	Math
Elementary	72.3% met standards up .8 percentage point	88.4% met standards up 1.2 percentage points
Middle	59.8% met standards up .1 percentage point	71.0% met standards up 2.3 percentage points
High	53.9% met standards down 1 percentage point	48.5% met standards down 1.9 percentage points

- Another indicator of student achievement is the state report cards issued by the Oregon Department of Education. The report cards assigned a grade ranging from “exceptional” to “unacceptable” to schools across the state in 2005-06, based on student achievement, attendance, and other data. More than two thirds of Portland Public Schools receiving report cards for 2005-06 were rated “strong” or “exceptional” - a level reached by little more than half of schools statewide.

Nineteen Portland schools moved up in the ratings, continuing strong gains in achievement from the previous years. Schools at every level made gains: thirteen elementary schools, four middle schools, and two high schools. Meanwhile, eleven schools slipped a notch, including four middle schools and seven elementary schools.

- Superintendent Phillips continued 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 reconfigure schools in Northeast and Southeast Portland. The Board agreed to phase out five middle school programs (Binnsmead, Fernwood, Gregory Heights, Kellogg and Portsmouth), build 19 elementary schools into K8s, and close four or five buildings: Clarendon Elementary (program moves into Portsmouth), Hollyrood K-3 (remains open only as Fernwood annex, if needed), Kellogg Middle School, Rose City Park Elementary (program moves into Gregory Heights), and one building to be determined by a community process in Southeast Portland.
- Superintendent Phillips leadership and the improvements in student achievement, among other accomplishments, are gaining not only national recognition, but also bringing to PPS tangible support in the form of grant awards. In November 2005 the Bill and Melinda Gates Foundation and the Meyer Memorial Trust awarded nearly \$9 million in a three-year investment in PPS to raise student achievement, dramatically expand teacher training, rework middle and high school curriculum and improve the delivery of services to schools. In March 2006 the U.S. Department of Education announced that Portland Public Schools is one of only eight school districts in the country to receive a Striving Readers Program grant to help struggling middle and high school students who currently are two or more grade levels behind their classmates. The grant award is \$23.5 million over four years and will help provide a package of services designed to boost student achievement across all content areas in nine high-need, Title I schools including four high schools (Franklin, Jefferson, Madison and Roosevelt) and five middle schools (Gregory Heights, Binnsmead, Kellogg, Portsmouth and Tubman).

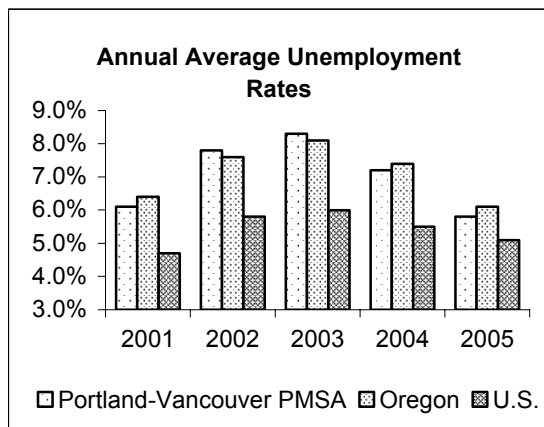
Factors Affecting Financial Condition

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 77% of manufacturing employment.

Employment by Industry – June 2006

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 2005, Portland's average annual unemployment rate was 5.8%, compared to 6.1% for the State and 5.1% for the nation.

The local economic outlook continues to improve with a nearly four percentage point drop from June 2003's record high unemployment rate of 9.0% to June 2006's rate of 5.3%. Over the last year, construction remained the fastest-growing sector of the economy with 4,500

jobs added. Manufacturing added 3,000 jobs, with two-thirds of the growth concentrated in high-tech.

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 to \$37 million per year. The voters did approve the local option levy on November 7, 2006. The assessment of \$1.25 per \$1,000 of assessed value will begin in the 2007-2008 school 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. The Board has earmarked General Fund dollars to maintain minimum levels of investment in buildings and technology. \$3 million is budgeted for facilities improvements and another \$1.5 million for computer and technology upgrades. The Board continues to evaluate the best timing for asking voters to approve another capital bond levy.

Cash management. Temporary excess cash throughout the year is invested in short-term instruments. As of June 30, 2006 investments are primarily commercial paper and securities guaranteed by the U.S. Government and its agencies and approved by 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, 2006 was \$5.0 million, compared to \$2.4 million earned in fiscal year 2004-2005, 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. The District has realized a 55% reduction in workers' compensation costs from the fiscal year 2002 to 2006. This reduction is due to custodial outsourcing and more effective claims management. Through risk marketing and negotiation with carriers, the District has saved nearly \$1 million dollars annually in lower insurance costs and enhanced coverage. Based upon an actuarial study completed as of December 31, 2005, claim reserves for June 30, 2006 are approximately \$5.7 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, 2005. This was the 26th 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, 2005. This was the 26th 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 2006 CAFR, which will be submitted to ASBO for review, will also conform to these standards.

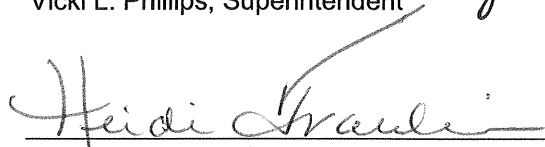
We wish to express our appreciation to our Controller, Janet Frank, CPA, our Assistant Controller, Sharie Lewis, CPA, the staff of the Finance Department, and members of other District departments who

assisted in the preparation of this comprehensive annual financial report. We also express appreciation to Bill Barker, CPA, Rina Byrne, CPA, and the Talbot, Korvola & Warwick, LLP 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, 2006

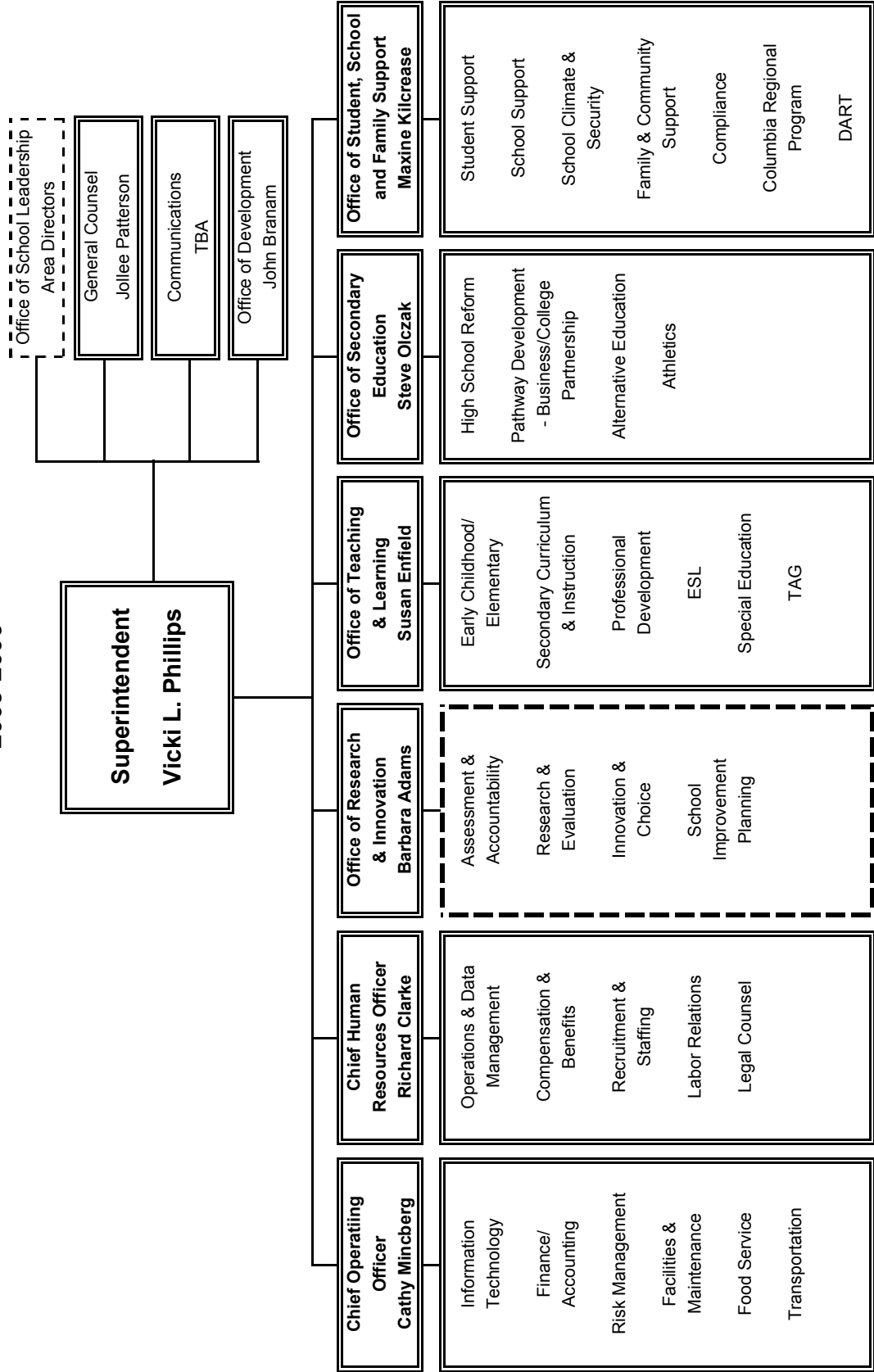
BOARD OF EDUCATION

<u>Member</u>	<u>Term Expires</u>	<u>Address</u>
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
Dilafroz Williams	June 30, 2007	4207 SE Rex St., Portland, OR 97206
David Wynde	June 30, 2007	2332 NE 9 th Ave., Portland, OR 97212
Sonja Henning	June 30, 2009	888 SW 5 th Ave, Ste 1600, Portland, OR 97204
Dan Ryan	June 30, 2009	1743 N Holman, Portland, OR 97217
Trudy Sargent	June 30, 2009	1309 SE 55 th Ave, Portland, OR 97215

ADMINISTRATIVE STAFF

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

Portland Public Schools Organizational Chart 2005-2006



* ... denotes work in progress

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, 2005

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.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

SCHOOL DISTRICT NO. 1, MULTNOMAH COUNTY, OREGON

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2005

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 'Melody Longfellow'.

President

A handwritten signature in cursive script, appearing to read 'C. J. ...'.

Interim Executive Director

This Page Intentionally Left Blank

FINANCIAL SECTION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006
[TAB INSERT]

FINANCIAL SECTION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006
[TAB INSERT]



Talbot, Korvola & Warwick [LLP]
Certified Public Accountants & Consultants

4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973
503/274-2849 • Fax 503/274-2853

INDEPENDENT AUDITOR'S REPORT

November 16, 2006

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 1, Multnomah County, Oregon (the District), as of and for the year ended June 30, 2006, which collectively comprise District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 1, Multnomah County, Oregon, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Board of Education
School District No. 1, Multnomah County, Oregon
November 16, 2006
Page 2

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

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

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Timothy R. Gillette, Partner

SCHOOL DISTRICT NO. 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, 2006. 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 \$256,452,785. Of this amount, \$183,157,012 was invested in capital assets, net of related debt and the remainder, \$73,295,773 is unreserved.
- ◆ At June 30, 2006, the General Fund had an unreserved fund balance of \$43.2 million, an increase of \$11.4 million from June 30, 2005. 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 future years. Revenues were greater than anticipated due to higher interest rates and increased proceeds under the State School Funding Formula. The District also received a one-time rebate from the Health & Welfare Trust.
- ◆ The District incurred no new debt in the current year and reduced its outstanding debt by \$14.2 million.

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 14 and 15 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term 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 either required or supplementary information to demonstrate compliance with their budgets.

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

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

Internal service funds are accounting devices used to accumulate and allocate costs 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 19-21 of this report

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

Required Supplementary Information (RSI) is located directly after the notes to the basic financial statements and 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 39-44.

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 45-54 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 \$256,452,785 at the close of the most recent fiscal year.

Condensed Statement of Net Assets	Total School District Governmental Activities		Percentage Change
	2005	2006	2005-2006
Assets			
Current and other assets	\$ 161,328,392	\$ 169,096,617	4.8%
Prepaid pension costs	485,029,169	478,576,495	-1.3%
Net capital assets	<u>210,589,259</u>	<u>203,717,454</u>	-3.3%
Total Assets	<u>856,946,820</u>	<u>851,390,566</u>	-0.6%
Liabilities			
Other long-term debt outstanding	37,906,890	30,185,442	-20.4%
Limited tax pension bonds outstanding	489,685,459	483,232,785	-1.3%
Other liabilities	<u>75,082,225</u>	<u>81,519,554</u>	8.6%
Total Liabilities	<u>602,674,574</u>	<u>594,937,781</u>	-1.3%
Net Assets			
Invested in capital assets, net of related debt	183,482,369	183,157,012	-0.2%
Unrestricted	<u>70,789,877</u>	<u>73,295,773</u>	3.5%
Total Net Assets	<u>\$ 254,272,246</u>	<u>\$ 256,452,785</u>	0.9%

By far the largest portion of the District's net assets (71%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets for classrooms and supporting services for providing K-12 education; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, Portland Public Schools is able to report positive balances in all categories of net assets for governmental activities. During the current fiscal year the District's net assets increased by \$2.2 million, which resulted from the following:

Increase in State School Fund receipts	\$ 9.0
Health and Welfare Trust rebate	3.2
Increase in interest income	2.5
Increase in recovery of prior year expenditures	1.5
Increase in grant revenues	0.2
Repayment of long term debt	<u>(14.2)</u>
Net increase in Net Assets	\$ 2.2 million

The revenues and expenses shown below outline changes in net assets for the fiscal years 2005 and 2006.

Changes in Net Assets	Government-Wide Activities		% of	%
	2005	2006	Total	Change
			2006	2005-2006
Revenues				
Program revenues				
Charges for services	\$ 9,476,938	\$ 9,312,366	2.0%	-1.7%
Operating grants and contributions	78,702,180	78,872,919	16.8%	0.2%
Total program revenues	<u>88,179,118</u>	<u>88,185,285</u>	<u>18.8%</u>	<u>0.0%</u>
General revenues				
Property taxes	204,428,691	145,930,003	31.0%	-28.6%
State school fund	148,012,565	157,061,375	33.4%	6.1%
Common school fund	3,783,920	4,135,436	0.9%	9.3%
County and intermediate sources	59,733,548	59,612,824	12.7%	-0.2%
Investment earnings	3,091,245	5,554,172	1.2%	79.7%
Other	8,255,466	9,781,050	2.1%	18.5%
Gain (loss) disposal of capital assets	6,023,738	(33,362)	0.0%	-100.6%
Total general revenues	<u>433,329,173</u>	<u>382,041,498</u>	<u>81.2%</u>	<u>-11.8%</u>
Total revenues	<u>521,508,291</u>	<u>470,226,783</u>	<u>100.0%</u>	<u>-9.8%</u>
Expenses				
Instruction	279,507,944	272,830,505	58.3%	-2.4%
Supporting services	168,598,011	178,013,619	38.0%	5.6%
Enterprise and community services	15,499,000	15,385,942	3.3%	-0.7%
Interest on long-term debt	3,919,451	1,816,178	0.4%	-53.7%
Total expenses	<u>467,524,406</u>	<u>468,046,244</u>	<u>100.0%</u>	<u>0.1%</u>
Increase in net assets	53,983,885	2,180,539	0.9%	-96.0%
Net assets - beginning	206,456,911	254,272,246	99.1%	23.2%
Restatement due to asset impairment	(6,168,550)			
Net assets - ending	<u>\$ 254,272,246</u>	<u>\$ 256,452,785</u>	<u>100.0%</u>	<u>0.9%</u>

Net Asset Restatement. To be in compliance with GASB 42, the District recognized an impairment loss of \$6,168,550 for Whitaker Middle School, due to structural problems.

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 81.2% of the funding required for governmental programs. Property taxes and State school fund combined account for 80.4% of general revenues and 65.3% of total revenues.

Charges for services are only 2.0% of total revenues and are composed of the following items for which it is appropriate that the District charge tuition or fees:

- ◆ Food services charges for lunch, breakfast, catering, and contract services. \$ 3,153,013
- ◆ Tuition is charged for all-day kindergarten, evening high school, out-of-district students, summer school, and driver's education. 2,953,914
- ◆ Facilities leverages District buildings by leasing and renting classrooms, gymnasiums, swimming pools, auditoriums, and entire vacant buildings. 1,712,468
- ◆ Athletics charges pay-to-play fees and sells tickets to events and games. 753,972

- ◆ Other sales, royalties, and events generate revenue, including commission on exclusive beverage contract. 738,999
- \$ 9,312,366**

Total Charges for Services:

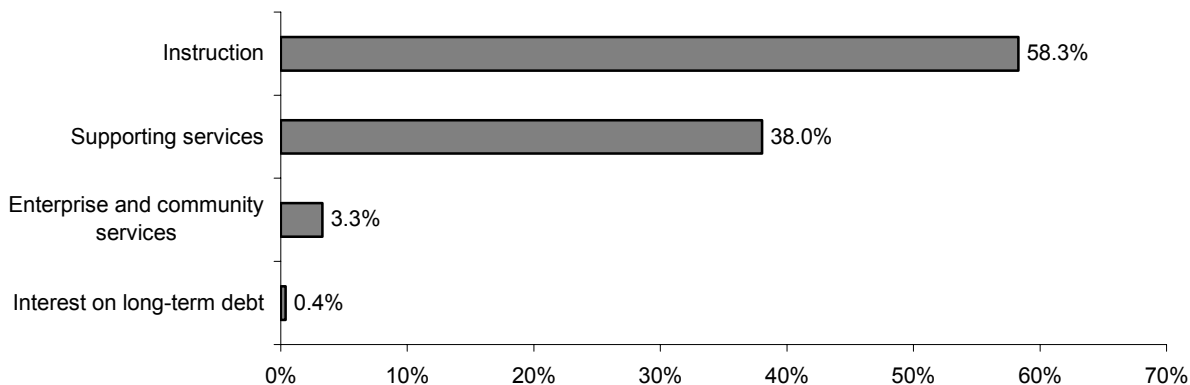
Operating grants and contributions represent 16.8% of total revenues. Included in this category are \$9.6 million for federal reimbursement under the school lunch program and \$7.1 million raised or donated by student body activities. Federal and state grants for designated programs totaled \$58.5 million.

Other revenues include recovery of prior year expenditures of \$3.2 million, fees charged to grants of \$2.8 million, contributions of \$2.6 million, and other miscellaneous items totaling \$1.2 million.

Expenses. Expenses related to governmental activities are presented in five broad functional categories. Costs of direct classroom instruction activities account for 58.3% of the total expenses of \$468,046,244. In addition, 38.0% of costs are in supporting services that relate to students, instructional staff and school administration.

	Total Cost of Services		Percentage	Net Revenue (Expense)		Percentage
	2005	2006	Change	2005	2006	Change
			2005-2006			2005-2006
Instruction	\$ 279,507,944	\$ 272,830,505	-2.4%	\$ (231,843,305)	\$ (224,252,692)	-3.3%
Supporting services	168,598,011	178,013,619	5.6%	(143,161,468)	(152,735,462)	6.7%
Enterprise and community services	15,499,000	15,385,942	-0.7%	(421,064)	(1,056,627)	150.9%
Interest on long-term debt	3,919,451	1,816,178	-53.7%	(3,919,451)	(1,816,178)	-53.7%
Total	\$ 467,524,406	\$ 468,046,244	0.1%	\$ (379,345,288)	\$ (379,860,959)	0.1%

Expenses by Service Type Fiscal Year 2006



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 \$43,235,343, which was an increase of \$11,398,826 over the prior year. Key factors in this growth are as follows:

The budget was based on the anticipated use of \$12.5 million of reserves. Instead, unanticipated revenue increases, coupled with the usual underspending resulted in the significant increase in fund balance by the end of the year.

Revenues increased \$19.2 million dollars over budget. The state adjusted the funding formula, which generated an additional \$7.1 million for PPS. Property tax collections were up \$3.7 million; investment income increased by \$3.8 million as interest rates rebounded from historical lows; the Health & Welfare Trust provided a one-time refund of \$3.2 million; and other income, primarily related to grant charges increased \$1.4 million.

Based on historical averages, actual expenditures are typically 1%-2% below budget. This year expenditures were 1.2% or \$4.7 million below budget.

- ◆ 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:
 - The District eliminated 245 full-time equivalents (FTE) to save approximately \$16 million and cut central office spending by approximately \$9 million.
 - 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 7% of the monthly premium. The Portland Federation of Teachers and Classified Employees (PFTCE) agreed to a cap of \$779 per member per month on the District's contribution. The members of the Service Employees International Union (SEIU) and all non-represented employees agreed to a cap of \$779 per employee per month. The District Council of Unions (DCU) contract expired on December 31, 2005, and is still in negotiation and has a cap of \$764 per member per month on the District's contribution.
 - 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.

Grant Fund. Of the \$58.5 million in federal and state grants received in 2005-06, \$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 \$18.8 million balance at June 30, 2006, was established through transfers from the General Fund. The Supreme Court upheld most of the legislative changes and reversed others. The PERS established rate for school districts for 2005-2007 was 16.97%, whereas the District's combined rate for PERS (.81%) and debt service on the pension bonds (10.92%) was 11.73%.

General Fund Budgetary Highlights

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

- ◆ Changes between the Adopted Budget and the Final Budget primarily reflect timing differences. The budget is adopted in June and the schools complete their staffing requirements in the fall. The budget is then realigned to reflect more closely the site-based decisions that have been made. This process is called "shakedown." The result this year is that the adopted expenditure budget was adjusted by moving \$3.9 million from instruction and \$1.0 million from facilities and adding \$4.9 million to support services.

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, 2006, the District had invested \$203.7 million in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of accumulated depreciation)	Total School District Governmental Activities		Percentage Change 2005-2006
	2005 as Restated	2006	
	Land	\$ 8,774,770	
Buildings	180,220,181	176,859,617	-1.9%
Vehicles & Equipment	18,602,689	16,730,297	-10.1%
Construction in Progress	2,991,619	1,352,770	-54.8%
Total	\$ 210,589,259	\$ 203,717,454	-3.3%

During the year 2005-06, the District's investment in capital assets decreased by \$6.8 million. This was due to current depreciation of \$11.6 million exceeding new additions of \$5.0 million, less disposals of \$0.2 million net of 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.
- ◆ Costs included \$2.8 million of completed construction projects plus \$5.0 million of other additions to buildings and site improvements.
- ◆ To be in compliance with GASB 42, the District recognized an impairment loss of \$6,168,550 for Whitaker Middle School, due to structural problems by restating beginning capital assets.

Additional information on the District's capital assets can be found in Note 7 on page 31 and Note 14 on page 37 of this report.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$513,418,227. Of this amount, \$492,857,785 represents limited tax pension and refunding bonds, and \$20,560,442 comprises debt backed by the full faith and credit of the District. The District's total debt decreased by \$14,174,123 during the current fiscal year. No new debt was issued by the District in 2005-06.

Outstanding Long-Term Debt	Total School District		Percentage Change 2005-2006
	Governmental Activities		
	2005	2006	
Limited tax pension and refunding bonds	\$ 489,685,459	\$ 483,232,785	-1.3%
Other long-term debt	37,906,891	30,185,442	-20.4%
Total	\$ 527,592,350	\$ 513,418,227	-2.7%

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 \$4,513,275,000, 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 had been at historic lows, an opportunity to benefit from interest rate arbitrage was created.

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

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

Economic Factors and Next Year's Budgets

- ◆ 2005-06 was the third year for the three-year temporary Multnomah County income tax provided by the voters for the eight school districts in the county. The income tax generated \$47.4 million in revenue this year. Its expiration at June 30, 2006, combined with deferred cuts from last year, resulted in the prospect of a \$57 million budget shortfall for 2006-07. The generous support of the City of Portland, the business community, Multnomah County, and the State lottery funds, combined with District reserves, filled \$33 million of this shortfall. The District curtailed spending increases and effected cuts in transportation, central offices, and school staffing to achieve a balanced budget for 2006-07.
- ◆ The voters approved another 5-year local option property tax levy in November 2006 by a 63% majority. At \$1.25 per \$1,000 of assessed value, the local option is expected to generate revenues between \$33 million and \$37 million per year beginning in 2007-08.

- ◆ The Board continues to deliberate when to pursue asking the voters for additional capital bonds and for how much. Depending on how the bonds are structured, and if the expired bond tax rate were maintained, the capital bonds could generate between \$150 million and \$300 million.
- ◆ While unemployment rates in the Portland-Vancouver metropolitan area remain among the highest in the nation, the 5.3% rate in June 2006 reflects a decrease of approximately four percentage points compared to the record high of 9.0% in June 2003 and is slightly lower than the State's 6.1% rate.
- ◆ The Portland School Board voted 4-3 in June 2006 to extend the current teacher contract for two years (through June 30, 2008), with modest cost-of-living increases of 2.5 percent in each of those two years. The agreement maintains the District's overall mid-range ranking for salary and benefits compared to other school districts. Since 2003, the District and the Portland Association of Teachers (PAT) have worked together to contain health care costs and share in premium expenses. As a result of this collaboration, the District's monthly contribution per teacher has decreased by 11 percent, from \$930.42 to \$829.52. At the same time, the teachers' contribution towards their healthcare benefits has increased. Teachers began contributing to their health care costs for the first time in 2004, have increased their out-of-pocket contribution toward premiums as a result of plan redesign, and have continued to pay an increasing portion of premium costs: 36% more since 2004 (from \$55.83 to \$75.96 in 2006). Since 2004, the District has gone from having the highest health care costs per teacher among the fourteen Metro area school districts to ranking seventh.
- ◆ The agreement with the Portland Federation of Teachers and Classified Employees ("PFTCE") was ratified in June 2006. Salary increases were a modest 1.5% retroactive to July 1, 2005 and 1.5% beginning July 1, 2006. The agreement with the District Council of Unions ("DCU") that expired June 30, 2004 was ratified in December 2005, and expired December 31, 2005. The District and the DCU remain in negotiations.
- ◆ **Strategic Reconfiguration**
During the spring of 2006 the Board of Education accepted the Superintendent's recommendation to reconfigure schools in Northeast and Southeast Portland. The Board agreed to phase out five middle school programs (Binnsmead, Fernwood, Gregory Heights, Kellogg and Portsmouth), build 19 elementary schools into K8s, and close four or five buildings: Clarendon Elementary (program moves into Portsmouth), Hollyrood K-3 (remains open only as Fernwood annex, if needed), Kellogg Middle School, Rose City Park Elementary (program moves into Gregory Heights), and one building to be determined by a community process in Southeast Portland. This community process resulted in the decision in the fall of 2006 to redraw the boundaries without closing a building. Additional recommendations for reconfigurations in the Rieke and Binnsmead areas are being developed.

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. An electronic copy of this and other prior year financial reports are available at the District website: www.pps.k12.or.us, site shortcut: **Financial Statements**.

This Page Intentionally Left Blank

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 80,244,807
Cash and cash equivalents held by fiscal agents	1,446,954
Cash equivalents held in trust	478,078
Investments	50,176,714
Accounts and other receivables	19,084,259
Property taxes and other taxes receivable	8,094,657
Inventories	1,738,988
Prepaid items	8,503
Prepaid pension costs	478,576,495
Bond issue costs, net of accumulated amortization	4,216,782
Noncurrent Assets:	
Note receivable - Due in more than one year	3,606,875
Capital Assets, net of accumulated depreciation:	
Land	8,774,770
Construction in progress	1,352,770
Buildings and capital improvements	176,859,617
Vehicles and equipment	16,730,297
Total assets	851,390,566
LIABILITIES	
Accounts payable	14,864,090
Accrued wages and benefits payable	56,701,848
Accrued bond interest payable	105,921
Arbitrage rebate payable	43,702
Unearned revenues	4,113,832
Other Current Liabilities:	
Claims payable- Due within one year	3,000,000
Bonds payable - Due within one year	14,859,337
Long Term Liabilities:	
Claims payable- Due in more than one year	2,690,161
Bonds payable - Due in more than one year	498,558,890
Total liabilities	594,937,781
NET ASSETS	
Invested in capital assets, net of related debt	183,157,012
Unrestricted	73,295,773
Total net assets	\$ 256,452,785

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, 2006

<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	\$ 272,830,505	\$ 4,446,884	\$ 44,130,929	\$ (224,252,692)
Support services	178,013,619	1,712,468	23,565,689	(152,735,462)
Enterprise and Community Services	15,385,942	3,153,013	11,176,301	(1,056,627)
Interest and fees on long-term debt	1,816,177	-	-	(1,816,177)
Total governmental activities	<u>\$ 468,046,244</u>	<u>\$ 9,312,365</u>	<u>\$ 78,872,919</u>	<u>(379,860,959)</u>
GENERAL REVENUES (UNRESTRICTED):				
Property taxes, levies for operations				144,542,631
Property taxes, levies for debt service				920,899
Local option taxes				466,473
State School Fund				157,061,375
State Common School Fund				4,135,436
County and intermediate sources				59,612,824
Investment earnings				5,554,172
Other				9,781,050
Loss on disposal of capital assets				(33,362)
Total general revenues				<u>382,041,498</u>
Change in net assets				2,180,539
Net assets - beginning of year as restated (Note 14)				<u>254,272,246</u>
Net assets - end of year				<u>\$ 256,452,785</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, 2006

	General Fund	Grant Fund	PERS Rate Stabilization Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 70,586,812	\$ 1,979	\$ -	\$ 7,845,980	\$ 78,434,771
Cash and cash equivalents held by fiscal agents	1,388,822	-	-	58,132	1,446,954
Cash equivalent held in trust	478,078	-	-	-	478,078
Investments	24,422,679	-	18,800,000	1,607,035	44,829,714
Accounts and other receivables	5,399,124	11,175,237	-	1,425,994	18,000,355
Property taxes and other taxes receivable	7,452,809	-	-	641,848	8,094,657
Due from other funds	1,367,295	-	-	750,000	2,117,295
Inventories	940,829	-	-	798,159	1,738,988
Prepaid Items	8,503	-	-	-	8,503
Total assets	<u>\$ 112,044,951</u>	<u>\$ 11,177,216</u>	<u>\$ 18,800,000</u>	<u>\$ 13,127,148</u>	<u>\$ 155,149,315</u>
LIABILITIES					
Accounts payable	\$ 11,834,056	\$ 1,579,926	\$ -	\$ 1,289,992	\$ 14,703,974
Accrued wages and benefits	49,182,553	5,191,604	-	1,004,447	55,378,604
Due to other funds	750,000	549,652	-	817,643	2,117,295
Arbitrage rebate payable	-	-	-	43,702	43,702
Deferred revenues	7,042,999	3,856,034	-	583,915	11,482,948
Total liabilities	<u>68,809,608</u>	<u>11,177,216</u>	<u>-</u>	<u>3,739,699</u>	<u>83,726,523</u>
FUND BALANCES					
Unreserved, reported in:					
General Fund	43,235,343	-	-	-	43,235,343
Special revenue funds	-	-	18,800,000	6,693,043	25,493,043
Capital projects funds	-	-	-	1,987,001	1,987,001
Debt service funds	-	-	-	707,405	707,405
Total fund balances	<u>43,235,343</u>	<u>-</u>	<u>18,800,000</u>	<u>9,387,449</u>	<u>71,422,792</u>
Total liabilities and fund balances	<u>\$ 112,044,951</u>	<u>\$ 11,177,216</u>	<u>\$ 18,800,000</u>	<u>\$ 13,127,148</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 governmental funds.	203,717,454
Long-term taxes receivable are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds.	7,369,116
The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	2,365,339
Bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	(513,418,227)
PERS prepayment is not reported in the governmental funds.	478,576,495
Bond issue costs are not amortized over the life of the bonds in the governmental funds and therefore are expensed in the year of the bond issue.	4,216,782
Notes receivable are not collectable in the current period and therefore are not reported in the governmental funds.	3,606,875
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(1,297,920)
Accrued interest payable is not recognized as a liability in the government funds.	(105,921)
Net assets of governmental activities	<u>\$ 256,452,785</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, 2006

	General Fund	Grant Fund	PERS Rate Stabilization Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property and other taxes	\$ 146,430,736	\$ -	\$ -	\$ 920,899	\$ 147,351,635
State School Fund	157,061,375	-	-	-	157,061,375
Local option taxes	466,473	-	-	-	466,473
County and intermediate sources	58,137,510	1,016,606	-	458,708	59,612,824
State Common School Fund	4,135,436	-	-	-	4,135,436
Federal and state support	-	58,467,730	-	9,592,747	68,060,477
Charges for services	3,477,672	-	-	5,834,693	9,312,365
Extracurricular activities	-	-	-	7,123,378	7,123,378
Investment earnings	5,025,247	-	-	339,652	5,364,899
Other	7,876,577	1,205,107	-	3,270,446	12,352,130
Total revenues	<u>382,611,026</u>	<u>60,689,443</u>	<u>-</u>	<u>27,540,523</u>	<u>470,840,992</u>
EXPENDITURES					
Current Operating:					
Instruction	215,854,692	35,508,245	-	13,068,229	264,431,166
Support services	146,938,498	23,565,689	-	2,449,854	172,954,041
Enterprise and Community Services	-	1,615,509	-	13,832,295	15,447,804
Non-capital facilities maintenance and replacement	1,216,973	-	-	5,274,151	6,491,124
Debt Service:					
Principal	671,449	-	-	7,050,000	7,721,449
Interest	211,103	-	-	1,524,665	1,735,768
Total expenditures	<u>364,892,715</u>	<u>60,689,443</u>	<u>-</u>	<u>43,199,194</u>	<u>468,781,352</u>
Excess (deficiency) of revenues over expenditures	<u>17,718,311</u>	<u>-</u>	<u>-</u>	<u>(15,658,671)</u>	<u>2,059,640</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,000,000	-	-	8,700,157	10,700,157
Transfers out	(8,700,157)	-	(2,000,000)	-	(10,700,157)
Proceeds from the sale of capital asset	380,672	-	-	54,000	434,672
Total other financing sources (uses)	<u>(6,319,485)</u>	<u>-</u>	<u>(2,000,000)</u>	<u>8,754,157</u>	<u>434,672</u>
Net change in fund balances	11,398,826	-	(2,000,000)	(6,904,514)	2,494,312
Fund balances - beginning of year	31,836,517	-	20,800,000	16,291,963	68,928,480
Fund balances - end of year	<u>\$ 43,235,343</u>	<u>\$ -</u>	<u>\$18,800,000</u>	<u>\$ 9,387,449</u>	<u>\$ 71,422,792</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, 2006

Net change in fund balances - total governmental funds (page 17) \$ 2,494,312

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

Governmental funds report all capital outlay as expenditures. However, in the Statement of Activities the cost of certain assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the current period of \$11,560,138 exceeded capital outlays of \$4,975,741. (6,584,397)

Governmental funds do not report the long term portion of notes receivable from the sale of capital assets in the current year. Revenue is recorded at the time the note payment is received. This is the amount that the long term portion was reduced in the current year. (180,625)

Property tax revenues that do not provide current financial resources are not reported as revenues in the governmental funds. This is the change in deferred revenue related to property taxes. (1,888,105)

The Internal Service Fund is used to account for all costs incurred for claims arising from workers' compensation, general liabilities, and property and fire losses. The primary funding sources are charges to other funds. This amount is the net income for the year. 1,001,933

Revenues need to be reduced by the net book value of capital assets sold. This equates to the depreciated cost of assets sold. (287,409)

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. 14,007,856

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. (6,452,674)

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	(16,210)
Change in bond interest payable	85,858

Change in net assets of governmental activities (page 15) \$ 2,180,539

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, 2006

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,810,036
Investments	5,347,000
Accounts and other receivables	<u>1,083,904</u>
Total assets	<u>8,240,940</u>

LIABILITIES

Current Liabilities	
Accounts payable	160,116
Accrued wages and benefits	25,324
Claims payable	<u>3,000,000</u>
Total current liabilities	<u>3,185,440</u>
Long-term Liabilities	
Claims payable	<u>2,690,161</u>
Total liabilities	<u>5,875,601</u>

NET ASSETS

Unrestricted	<u><u>\$ 2,365,339</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 Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2006

OPERATING REVENUES

Charges for services	\$ 4,920,103
Insurance recoveries	1,117,984
Total operating revenues	<u>6,038,087</u>

EXPENSES

Salaries and benefits	478,658
Materials and services	617,345
Claims expense	4,129,424
Total expenses	<u>5,225,427</u>
Operating income	812,660

NON-OPERATING REVENUE

Investment earnings	<u>189,273</u>
Net income	1,001,933
Net assets - beginning of year	<u>1,363,406</u>
Net assets - end of year	<u><u>\$ 2,365,339</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, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from interfund services provided and used	\$ 4,920,103
Cash received from insurance recoveries	71,839
Cash payments for salaries and benefits	(489,205)
Cash payments for goods and services	<u>(3,850,977)</u>
Net cash provided by operating activities	<u>651,761</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(1,431,000)
Investment earnings	<u>189,273</u>
Net cash used by investing activities	<u>(1,241,727)</u>
Net decrease in cash and cash equivalents	(589,966)
Cash and cash equivalents at beginning of year	<u>2,400,002</u>
Cash and cash equivalents at end of year	<u>\$ 1,810,036</u>

RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 812,660
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(1,046,145)
Increase in accounts payable and other current liabilities	75,593
Decrease in accrued salaries, and wages and benefits payable	<u>(10,547)</u>
Total adjustments	<u>(160,899)</u>
Net cash provided by operating activities	<u>\$ 651,761</u>

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, 2006

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, nor is the District a component unit of any other entity, and specifically has no relationship or connection with Multnomah County, Oregon.

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

A. Government-wide and fund financial statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase or use goods, services, or privileges provided by a given function, 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 and 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, 2006

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 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. The 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 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. Operating expenses include salaries, benefits, materials, premium costs, claims, and other normal costs related to general operations.

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 local budget law, expenditures are appropriated by fund for each legally adopted annual operating budget at the following levels of control, as appropriate:

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

Capital outlay expenditures are appropriated within the instruction and supporting services levels of control. Debt service expenditures in the General Fund are appropriated within the supporting services level of control. For reporting purposes debt service expenditures, except those in the 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, 2006

10% of an individual fund, a supplemental budget must be adopted, requiring public hearings, publications in newspapers and approval by the Board of Education. Supplemental budgets are submitted, reviewed and certified, similar to the original budget, by the Multnomah County Tax Supervising and Conservation Commission subsequent to approval by the Board of Education. Appropriations lapse at the end of each fiscal year. The District had one supplemental budget and three appropriation transfers during the year.

At June 30, 2006 the BESC Cafeteria Fund had a deficit fund balance of \$(130,232), which is in violation of Oregon Local Budget Law, and expenditures exceeded appropriations for the following funds and functions: General Fund – Support Services \$1,946,767, Special Revenue Fund – Enterprise and Community Services \$225,705, and Facilities Improvement II Fund – Support Services \$28,000.

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 are included in the District's inventories at USDA wholesale value. The District accounts for the inventory based on the consumption method. Under the consumption method inventory is recorded when purchased and expenditures/expenses are recorded when inventory items are used. Donated commodities consumed during the year are reported as revenues and expenditures. The amount of unused donated commodities at year end is immaterial. Prepaid assets are recognized as expenses/expenditures when their use benefits the District.

H. Capital Assets

Expenditures for capital assets, which include land, buildings and site improvements, construction in progress, and vehicles and equipment are reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance by Function. 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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are completed.

When the District determines that an asset has been impaired as defined by GASB 42 it adjusts the asset value.

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 to 8

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 unearned/deferred revenue 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 are recognized as revenues and as expenditures in the fund incurring the charges.

The District recognizes the liabilities for estimated losses to be incurred from pending claims and for claims incurred but not reported (IBNR). 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 Claims	\$1,000,000	\$ 5,000,000
Property and Fire Claims	1,000,000	75,000,000
Earthquake Claims	1,000,000	50,000,000
Flood Claims	1,000,000	75,000,000
Workers' Compensation Claims	1,000,000	25,000,000

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

K. Compensated Absences

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

the governmental funds because they have not "matured," meaning they are not yet payable to the employee.

Vested compensated absences include accrued vacation and salary related payments. The amounts expected to be liquidated with expendable available financial resources are recognized as an expenditure on the fund financial statements in the funds where they are earned, and the amount payable is recorded in the Statement of Net Assets.

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

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 unearned 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 including claims are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs as incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, 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's Public Employees Retirement System (Oregon PERS). Oregon PERS requires plan contributions on a current basis. Contributions are made on a current basis as required by the plan and are recorded as expense/expenditures.

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

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

O. Net Assets

Net assets represents the difference between the District's total assets and total liabilities. Net assets are subdivided into three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Net assets invested in capital assets, net of related debt, represents capital assets, less accumulated depreciation and outstanding principal of capital asset related debt. Net assets subject to restriction by externally imposed restrictions are categorized as restricted net assets.

P. Management Estimates

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

The District reports financial position, results of operations, and changes in fund balance/net assets/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.

The District's permanent tax rate for the year ended June 30, 2006 was \$4.7743 per \$1,000 of assessed value.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits with financial institutions include bank demand deposits, deposits in the local government investment pool, time certificates of deposits, and savings account deposits as authorized by Oregon statutes.

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

Cash and cash equivalents held by fiscal agents	\$ 1,446,954
Cash equivalents held in trust	478,078
Local Government Investment Pool	13,754,374
Demand accounts	66,484,402
Petty cash	<u>6,030</u>
Total cash and cash equivalents	82,169,839
US Government agency securities	43,304,621
Commercial paper	<u>6,872,093</u>
Total cash, cash equivalents and investments	<u>\$ 132,346,553</u>

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

Statement of Net Assets is classified as follows:

Cash and cash equivalents	\$ 80,244,807
Cash and cash equivalents held by fiscal agents	1,446,954
Cash equivalents held in trust	478,078
Investments	<u>50,176,714</u>
Total cash, cash equivalents and investments	<u>\$ 132,346,553</u>

A. 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, 2006, 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.

Included within governmental and agency obligations is \$8,801,693 held by a financial institution in conjunction with the District lease of a school facility (See Note 15)

The Oregon Local Government Investment Pool is unrated. Other investments held at June 30, 2006 are categorized by rating as follows:

	Moody's Investor Service Rating			Weighted Average Maturity (Years)
	Aaa	P1	Total	
Government and agency obligations	\$ 43,304,621	\$ -	\$ 43,304,621	0.153
Corporate commercial paper	-	6,872,093	6,872,093	0.077
Total investments	<u>\$ 43,304,621</u>	<u>\$ 6,872,093</u>	<u>\$ 50,176,714</u>	

Interest rate risk

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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 Poor's, and P1 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 corporate obligation that is in excess of five percent of the monies being invested.

Custodial risk- deposits

Oregon laws require governmental deposits made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the District. This does not constitute full collateral of deposits, but meets Oregon legal requirements. At June 30, 2006, the carrying amount of the District's balance was \$66,484,402 and the bank balance was \$68,677,669. Of the bank balance, \$200,000 was covered by federal depository insurance, certificates of collateral were available up to \$28,625,000, and \$39,852,669 was uninsured and uncollateralized.

Custodial credit risk-investments

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

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

NOTE 5 – RECEIVABLES

Receivables as of year-end are summarized as follows:

	Fund Type			Total
	General Fund	Grant Fund	Other Governmental Funds	
Receivables:				
Taxes	\$ 7,452,809	\$ -	\$ 641,848	\$ 8,094,657
Interest	256,994	-	6,464	263,458
Accounts	5,080,845	-	2,503,433	7,584,278
Federal, state and local grants	-	11,177,230	-	11,177,230
Advances to employees	61,286	(1,993)	-	59,293
Accounts and other receivables	5,399,125	11,175,237	2,509,897	19,084,259
Total receivables	<u>\$ 12,851,934</u>	<u>\$ 11,175,237</u>	<u>\$ 3,151,745</u>	<u>\$ 27,178,916</u>

NOTE 6 – NOTE RECEIVABLE

The District sold the broadcast license and certain insignificant capital assets of the public broadcasting FM station operated by the District to a not-for-profit foundation that will continue to operate the station. The terms of the sale included a down payment of \$750,000 and principal payments as detailed below. Interest accrues at 5% for four years (until December 15, 2007) and 2% over the prime rate for the next six years. During the year the District received a payment of \$370,000. The District considers the receivable to be collectable, and, accordingly, no allowance for doubtful accounts is provided.

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

	Payments	Interest	Principal reduction/ (addition)
2007	\$100,000	\$180,344	(\$80,344)
2008	100,000	184,361	(84,361)
2009	375,000	264,011	110,989
2010	375,000	256,241	118,759
2011	800,000	247,928	552,072
2012 - 2014	3,490,664	500,904	2,989,760
Total	<u>\$ 5,240,664</u>	<u>\$ 1,633,789</u>	<u>\$ 3,606,875</u>

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

NOTE 7 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2006, follows:

Description	Restated Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 8,774,770	\$ -	\$ -	\$ 8,774,770
Construction in progress	2,991,619	1,222,899	(2,861,748)	1,352,770
Total capital assets not being depreciated	<u>11,766,389</u>	<u>1,222,899</u>	<u>(2,861,748)</u>	<u>10,127,540</u>
Capital assets being depreciated:				
Buildings and site improvements	302,333,834	4,998,359	-	307,332,193
Vehicles and equipment	33,146,031	1,616,231	(1,000,897)	33,761,365
Total capital assets being depreciated	<u>335,479,865</u>	<u>6,614,590</u>	<u>(1,000,897)</u>	<u>341,093,558</u>
	<u>347,246,254</u>	<u>7,837,489</u>	<u>(3,862,645)</u>	<u>351,221,098</u>
Less Accumulated depreciation:				
Buildings and site improvements	(122,113,653)	(8,358,923)	-	(130,472,575)
Vehicles and equipment	(14,543,342)	(3,201,215)	713,489	(17,031,068)
Total accumulated depreciation	<u>(136,656,995)</u>	<u>(11,560,138)</u>	<u>713,489</u>	<u>(147,503,643)</u>
Total capital assets	<u>\$ 210,589,259</u>	<u>\$ (3,722,649)</u>	<u>\$ (3,149,156)</u>	<u>\$ 203,717,455</u>

Instruction	\$ 8,144,270
Supporting services	3,320,899
Food services	<u>94,969</u>
	<u>\$ 11,560,138</u>

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 other governmental funds in higher yielding investments held by the General Fund.

The composition of interfund balances as of June 30, 2006, is as follows:

	Due From	Due To
General Fund	\$ 1,367,295	\$ 750,000
Grant Fund	-	549,652
Other governmental funds	750,000	817,643
Total all funds	<u>\$ 2,117,295</u>	<u>\$ 2,117,295</u>

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

NOTE 9 - BONDED AND OTHER LONG-TERM DEBT

Changes in long-term debt of the District during fiscal year 2006 were as follows:

	Balance July 1, 2005	Repayments	Balance June 30, 2006
Limited Tax Pension Bonds:			
Series 2002	\$208,515,419	(\$1,514,194)	\$207,001,225
Series 2003	281,170,040	(4,938,480)	276,231,560
Pension Debt (See Note 11)	489,685,459	(6,452,674)	483,232,785
Limited Tax General Obligation			
Refunding Bonds, Series, 2004	10,800,000	(1,175,000)	9,625,000
Certificates of Participation (COP), Series 1999	19,435,000	(4,555,000)	14,880,000
Refunding Special Obligations, 1993 Series A	2,705,000	(1,320,000)	1,385,000
Small Scale Energy Loan Programs	4,966,891	(671,449)	4,295,442
Other debt	37,906,891	(7,721,449)	30,185,442
Total	<u>\$ 527,592,350</u>	<u>\$ (14,174,123)</u>	<u>\$ 513,418,227</u>

Limited Tax Pension Bonds:

In October 2002 Portland Public Schools participated as one of forty-one Oregon school districts and education service districts in issuing limited tax pension bonds, the proceeds 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 ("Oregon 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 Oregon PERS. In April 2003 OSBA sponsored another pooled limited tax pension bond program with thirty school districts and education service districts. The District recorded the proceeds of the debt to Oregon PERS as prepaid pension costs and amortizes it as a pension expense over the life of the bonds. Payment of yearly principal and interest is recorded as an expense/expenditure in the financial statements as instruction and support services. 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 as additional contribution rates to Oregon PERS.

The District issued \$210,103,857 Limited Tax Pension Bonds, Series 2002 (Federally Taxable), of which \$53,523,857 are Series 2002A (deferred interest bonds) and \$156,580,000 are Series 2002B (current interest bonds). The 2002 series Limited Tax Pensions Bonds were issued on October 31, 2002, and are payable annually through June 2028. Interest on the deferred interest bonds is accreted semiannually at yields ranging from 2.06% to 6.10%. Interest on the current coupon bonds is payable semiannually at rates ranging from 5.48% to 5.50%. The Series 2002A Bonds are not subject to optional prepayment prior to maturity. The Series 2002B Bonds maturing June 30, 2021 shall be subject to prepayment from pension prepayments on or after June 30, 2007, and those due June 30, 2028 are subject to mandatory prepayment prior to its stated maturity, in whole or part, on any June 30 on or after June 30, 2024.

The District issued \$281,170,040 Limited Tax Pension Bonds, Series 2003 (Federally Taxable), of which \$124,800,040 are Series 2003A (deferred interest bonds) and \$156,370,000 are Series 2003B (current interest bonds). The Series 2003 Limited Tax Pensions Bonds were issued on April 30, 2003, and are payable annually through June 2028. Interest on the deferred interest bonds is accreted semiannually at yields ranging from 1.50% to 6.27%. Interest on the current coupon bonds is payable semiannually at

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

rates ranging from 5.45% to 5.68%. The bonds are federally taxable and are not subject to optional prepayment prior to their stated maturities.

Other Long Term Debt:

In 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 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 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 federal government are accrued and paid semi-annually.

The general fund accounts for the debt service payments on the District's State of Oregon Small Scale Energy Loan (SELP). The other long term debt payments are made from the debt service funds.

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

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

Fiscal Year	Limited Tax Pension and Refunding Bonds	Certificates of Participation	Refunding Special Obligations	SELP Loans	Total
Principal:					
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	11,058,547	-	-	692,639	11,751,186
2012-2016	59,897,056	-	-	674,170	60,571,226
2017-2021	69,515,493	-	-	-	69,515,493
2022-2026	213,319,074	-	-	-	213,319,074
2027-2030	100,840,000	-	-	-	100,840,000
Principal Total	<u>492,857,785</u>	<u>14,880,000</u>	<u>1,385,000</u>	<u>4,295,442</u>	<u>513,418,227</u>
Interest:					
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	22,420,635	-	-	49,452	22,470,087
2012-2016	135,689,014	-	-	52,194	135,741,208
2017-2021	178,091,136	-	-	-	178,091,136
2022-2026	104,879,194	-	-	-	104,879,194
2027-2030	7,546,826	-	-	-	7,546,826
Interest Total	<u>529,429,706</u>	<u>1,457,730</u>	<u>69,250</u>	<u>624,675</u>	<u>531,581,361</u>
Total Debt Service	<u>\$ 1,022,287,491</u>	<u>\$ 16,337,730</u>	<u>\$ 1,454,250</u>	<u>\$ 4,920,117</u>	<u>\$ 1,044,999,588</u>

NOTE 10 – INTERFUND TRANSFERS

The District made transfers from the General Fund of \$8,574,665 to Debt Service Funds to fund bond payments; and \$125,492 to the Other Governmental Funds to disburse vending machines commissions. The PERS Rate Stabilization Fund transferred \$2,000,000 to the General Fund for operations.

The composition of interfund transfers as of June 30, 2006, is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 2,000,000	\$ 8,700,157
PERS Rate Stabilization Reserve Fund	-	2,000,000
Non-major governmental funds	<u>8,700,157</u>	<u>-</u>
Total all funds	<u>\$ 10,700,157</u>	<u>\$ 10,700,157</u>

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

NOTE 11- PENSION PLANS

A. Oregon Public Employees Retirement System (Oregon PERS)

Plan Description. The District contributes to two pension plans administered by the State of Oregon Public Employees Retirement System (Oregon PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003, 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 Oregon PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. Oregon PERS members retain their existing Oregon PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's Oregon PERS account.

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

Funding Policy. Members of Oregon PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The District is required 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, 2006 were 0.59% 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 Oregon PERS for the years ending June 30 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). For the year ended June 30, 2006, the District's annual debt service for the limited tax pension bonds included \$6,452,674 of principal, and \$18,155,649 of interest.

Annual pension expense/expenditures for the fiscal years ended June 30:

	Required contribution to Oregon PERS	Annual Debt Service	Total Oregon PERS Pension Cost
2004	\$ 1,445,640	\$ 19,786,878	\$ 21,232,518
2005	2,500,339	18,643,323	21,143,662
2006	1,955,208	24,608,323	26,563,531

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

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 for this plan.

Funding Policy. The District pays for the benefits without any cost to employees. The contributions are financed on a pay-as-you-go basis. Because of this policy, no liability has been recorded for early retirement. During fiscal year 2006 the expenses/expenditures of approximately \$3,000,000 were recognized.

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. During fiscal year 2006 the General Fund recognized expenditures of approximately \$3 million for the post-employment healthcare benefits.

NOTE 13 - RISK MANAGEMENT

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

The Self-Insurance Fund recognized the following amounts of revenues from other funds for the year ended June 30, 2006.

General Fund	\$ 4,124,339
Grant Fund	620,908
Other Governmental Funds	174,856
Total	<u>\$ 4,920,103</u>

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

Approximately \$3 million of the claims payable total is considered current liabilities and the balance long term. Changes in the balances of claims liabilities during the years ended June 30, 2004 through June 30, 2006 were as follows:

Fiscal Year	Beginning Balance	New Claims	Payments on Claims	Ending Balance
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
2006	4,869,961	4,129,424	3,309,224	5,690,161

NOTE 14- RESTATEMENT

To be in compliance with GASB 42 the District recognized an impairment loss of \$6,168,550 for Whitaker Middle School, due to extensive structural problems, and therefore beginning net assets are restated as follows:

Net assets as previously reported	\$ 260,440,796
Impairment loss	<u>(6,168,550)</u>
Net assets as restated	<u>\$ 254,272,246</u>

NOTE 15- COMMITMENTS AND CONTINGENCIES

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

- **Capital Projects**

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, 2006 total approximately \$2,000,000.

- **Contracts**

- ◆ The District has a contract for custodial services extending through December 31, 2006 that will require a minimum payment of approximately \$3,000,000 after June 30, 2006.
- ◆ The District has a contract to provide duplication services to various District facilities, which will require minimum payments of approximately \$1,300,000, in each of the years ending June 30, 2007 and 2008, respectively.
- ◆ The District extended its contract with Laidlaw Educational Services (LES) to provide student transportation services through June 2012 for \$50,000,000. As a result of renegotiation, the District is saving approximately \$1 million per year.

- **Rosa Parks Elementary School**

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

School District No. 1, Multnomah County, Oregon

Notes to the Basic Financial Statements

For the Year Ended June 30, 2006

- ◆ To lease the school for thirty years through October 20, 2035. The lease payments will be \$42,024 per month from October 2007 through October 2014. These lease payments are lower than they would be otherwise, as long as the District holds \$8.8 million in an investment account at a designated financial institution. The lease contains an option provision for the District to buy the building in June 2012 for \$8,800,000. Should the District not elect to purchase the building, lease payments will increase to \$72,000 per month for the remaining lease term.
 - ◆ To sell Ball Elementary School to the City of Portland for \$800,000 in 2006-07.
 - ◆ To abide by the terms of a Joint Use Agreement with the Portland Parks Bureau and the Boys and Girls Club.
 - ◆ To participate in a Shared Use Agreement with the Boys and Girls Club for the portion of the school that is designated "shared space," which are the cafeteria, computer lab, music, and art rooms.
 - ◆ To repay up to 50% of the bridge loan obtained by Housing Authority of Portland (HAP), in the unlikely event that fundraising efforts fell short of generating the funds necessary to pay off the bridge loan in conjunction with the financing agreement with N4C.
- **Custodians**

On October 13, 2005, the Oregon Supreme Court, in a 4-3 decision, ruled against the Portland Public Schools on a case brought by the District's former custodians. The Supreme Court subsequently denied the District's petition to reconsider its ruling. The District has offered to reemploy some of the custodians formerly laid off. The financial impact is not known at this time.
 - The District is a defendant in certain pending legal actions. Although the outcome cannot be determined, we believe that settlement of these matters will not have a material effect on the District's financial position and results of operations.

NOTE 16 – SUBSEQUENT EVENTS

- **Whitaker/Adams**

The Board of Education voted on August 21, 2006 to demolish the Whitaker Middle School building, vacant since July 2001 and no longer in use as a middle school. The land will be landscaped and maintained as park-like property, while the Board deliberates on potential future uses. Project costs are estimated at \$2.1 million. The District is planning to borrow the money to complete this demolition and landscaping.
- **Five-Year Serial Levy**

On November 7, 2006, the voters approved a five-year, local option property tax levy that will provide \$33 to \$37 million beginning in 2008 by assessing \$1.25 per \$1,000 of assessed value. All funds raised under the proposed levy will be used exclusively for teachers in classrooms.

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information

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

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

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

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual**
For the year ended June 30, 2006

	<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	\$ 142,729,419	\$ 142,729,419	\$ 146,430,736	\$ 3,701,317
State School Fund	150,432,355	150,432,355	157,061,375	6,629,020
Local option taxes	764,996	764,996	466,473	(298,523)
County and intermediate sources	56,627,545	56,627,545	58,137,510	1,509,965
State Common School Fund	3,303,568	3,303,568	4,135,436	831,868
Charges for services	4,555,000	4,555,000	3,477,672	(1,077,328)
Investment earnings	1,200,000	1,200,000	5,025,247	3,825,247
Other	4,141,540	4,141,540	7,876,577	3,735,037
Total revenues	<u>363,754,423</u>	<u>363,754,423</u>	<u>382,611,026</u>	<u>18,856,603</u>
EXPENDITURES				
Current operating:				
Instruction:				
Regular programs:				
Salaries and benefits	154,466,771	151,547,219	150,421,288	1,125,931
Materials and services	8,129,323	6,323,323	4,851,247	1,472,076
Total regular programs	<u>162,596,094</u>	<u>157,870,542</u>	<u>155,272,535</u>	<u>2,598,007</u>
Special programs:				
Salaries and benefits	48,483,002	48,192,762	48,732,118	(539,356)
Materials and services	13,721,073	14,861,436	11,850,039	3,011,397
Total special programs	<u>62,204,075</u>	<u>63,054,198</u>	<u>60,582,157</u>	<u>2,472,041</u>
Total instruction	<u>224,800,169</u>	<u>220,924,740</u>	<u>215,854,692</u>	<u>5,070,048</u>
Support services:				
Students:				
Salaries and benefits	29,067,715	28,381,097	28,211,630	169,467
Materials and services	1,911,305	2,144,035	4,125,875	(1,981,840)
Total students	<u>30,979,020</u>	<u>30,525,132</u>	<u>32,337,505</u>	<u>(1,812,373)</u>
Instructional staff:				
Salaries and benefits	8,334,628	8,331,949	7,892,619	439,330
Materials and services	2,474,831	2,471,116	2,231,445	239,671
Total instructional staff	<u>10,809,459</u>	<u>10,803,065</u>	<u>10,124,064</u>	<u>679,001</u>
General administration:				
Salaries and benefits	1,966,730	2,735,667	2,485,684	249,983
Materials and services	1,265,921	1,157,099	1,111,835	45,264
Total general administration	<u>3,232,651</u>	<u>3,892,766</u>	<u>3,597,519</u>	<u>295,247</u>
School administration:				
Salaries and benefits	23,601,416	26,689,681	27,006,645	(316,964)
Materials and services	575,043	705,379	291,689	413,690
Total school administration	<u>24,176,459</u>	<u>27,395,060</u>	<u>27,298,334</u>	<u>96,726</u>

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Continued)
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Support services (continued):				
Business:				
Salaries and benefits	\$ 16,930,743	\$ 17,361,560	\$ 18,122,192	\$ (760,632)
Materials and services	38,690,505	39,604,160	39,155,003	449,157
Total business	55,621,248	56,965,720	57,277,195	(311,475)
Central:				
Salaries and benefits	10,440,249	10,536,503	9,154,251	1,382,252
Materials and services	4,880,490	4,873,485	7,149,630	(2,276,145)
Total central	15,320,739	15,409,988	16,303,881	(893,893)
Total support services	140,139,576	144,991,731	146,938,498	(1,946,767)
Facilities acquisition & construction:				
Salaries and benefits	-	-	42,341	(42,341)
Materials and services	3,800,000	2,823,274	1,174,632	1,648,642
Total facilities acquisition & construction	3,800,000	2,823,274	1,216,973	1,606,301
Other expenditures:				
Debt Service				
Principal	634,050	634,050	671,449	(37,399)
Interest	261,103	261,103	211,103	50,000
Total debt service	895,153	895,153	882,552	12,601
Total current expenditures	369,634,898	369,634,898	364,892,715	4,742,183
Operating contingency	17,679,860	17,679,860	-	17,679,860
Total expenditures	387,314,758	387,314,758	364,892,715	22,422,043
Excess of revenues over (under) expenditures	(23,560,335)	(23,560,335)	17,718,311	41,278,646
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000,000	2,000,000	2,000,000	-
Transfers out	(8,739,665)	(8,739,665)	(8,700,157)	39,508
Proceeds from the sale of capital assets	100,000	100,000	380,672	280,672
Total other financing sources and (uses)	(6,639,665)	(6,639,665)	(6,319,485)	320,180
Net change in fund balance	(30,200,000)	(30,200,000)	11,398,826	41,598,826
Fund balance - beginning of year	30,200,000	30,200,000	31,836,517	1,636,517
Fund balance - end of year	\$ -	\$ -	\$ 43,235,343	\$ 43,235,343

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, 2006

	<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	\$ 673,252	\$ 2,015,432	\$ 1,016,606	\$ (998,826)
Federal and state support	67,399,693	67,819,009	58,467,730	(9,351,279)
Other	1,287,900	1,275,647	1,205,107	(70,540)
Total revenues	<u>69,360,845</u>	<u>71,110,088</u>	<u>60,689,443</u>	<u>(10,420,645)</u>
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	15,039,559	16,184,812	13,839,277	2,345,535
Materials and services	2,594,809	3,123,799	2,583,073	540,726
Total regular programs	<u>17,634,368</u>	<u>19,308,611</u>	<u>16,422,350</u>	<u>2,886,261</u>
Special programs:				
Salaries and benefits	12,785,119	15,190,517	14,283,362	907,155
Materials and services	7,280,041	4,949,643	4,802,533	147,110
Total special programs	<u>20,065,160</u>	<u>20,140,160</u>	<u>19,085,895</u>	<u>1,054,265</u>
Total instruction	<u>37,699,528</u>	<u>39,448,771</u>	<u>35,508,245</u>	<u>3,940,526</u>
Support Services:				
Students:				
Salaries and benefits	5,014,305	6,622,981	5,633,801	989,180
Materials and services	7,950,863	5,926,707	1,883,960	4,042,747
Total students	<u>12,965,168</u>	<u>12,549,688</u>	<u>7,517,761</u>	<u>5,031,927</u>
Instructional staff:				
Salaries and benefits	5,705,774	8,509,511	8,803,094	(293,583)
Materials and services	7,153,609	4,749,872	4,821,800	(71,928)
Total instructional staff	<u>12,859,383</u>	<u>13,259,383</u>	<u>13,624,894</u>	<u>(365,511)</u>
General administration:				
Materials and services	-	15,480	20,642	(5,162)
School administration:				
Salaries and benefits	1,581,742	1,565,886	1,094,715	471,171
Materials and services	1,118,997	1,134,853	543,223	591,630
Total school administration	<u>2,700,739</u>	<u>2,700,739</u>	<u>1,637,938</u>	<u>1,062,801</u>
Business:				
Salaries and benefits	86,275	83,957	-	83,957
Materials and services	113,725	116,043	16,172	99,871
Total business	<u>200,000</u>	<u>200,000</u>	<u>16,172</u>	<u>183,828</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 (Continued)
For the year ended June 30, 2006

	<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	\$ 395,150	\$ 542,321	\$ 519,853	\$ 22,468
Materials and services	558,814	411,643	228,429	183,214
Total central	<u>953,964</u>	<u>953,964</u>	<u>748,282</u>	<u>205,682</u>
Total support services	<u>29,679,254</u>	<u>29,679,254</u>	<u>23,565,689</u>	<u>6,113,565</u>
Enterprise and Community Services:				
Food Services:				
Materials and services	<u>560,625</u>	<u>560,625</u>	<u>354,936</u>	<u>205,689</u>
Community Services:				
Salaries and benefits	795,909	885,944	828,471	57,473
Materials and services	<u>625,529</u>	<u>535,494</u>	<u>432,102</u>	<u>103,392</u>
Total community services	<u>1,421,438</u>	<u>1,421,438</u>	<u>1,260,573</u>	<u>160,865</u>
Total enterprise and community services	<u>1,982,063</u>	<u>1,982,063</u>	<u>1,615,509</u>	<u>366,554</u>
Total current expenditures	<u>69,360,845</u>	<u>71,110,088</u>	<u>60,689,443</u>	<u>10,420,645</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,000,000)	\$ (2,000,000)	\$ (2,000,000)	\$ -
Net change in fund balance	(2,000,000)	(2,000,000)	(2,000,000)	-
Fund balance - beginning of year	20,800,000	20,800,000	20,800,000	-
Fund balance - end of year	<u>\$ 18,800,000</u>	<u>\$ 18,800,000</u>	<u>\$ 18,800,000</u>	<u>\$ -</u>

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 Activity

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

Cafeteria

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

Special Revenue

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

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 (BESC) 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 2004 limited tax general obligation refunding bonds. The principal funding source is transfers from the General Fund

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, 2006

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total
ASSETS				
Cash and cash equivalents	\$ 6,479,027	\$ 4,305	\$ 1,362,648	\$ 7,845,980
Cash and cash equivalents with fiscal agents	-	58,132	-	58,132
Investments	-	587,035	1,020,000	1,607,035
Accounts and other receivables	1,197,504	-	228,490	1,425,994
Property and other taxes receivable	-	641,848	-	641,848
Due from other funds	750,000	-	-	750,000
Inventories	798,159	-	-	798,159
Total assets	<u>\$ 9,224,690</u>	<u>\$ 1,291,320</u>	<u>\$ 2,611,138</u>	<u>\$ 13,127,148</u>
LIABILITIES				
Accounts payable	\$ 938,611	\$ -	\$ 351,381	\$ 1,289,992
Accrued wages and benefits	991,734	-	12,713	1,004,447
Due to other funds	601,302	-	216,341	817,643
Arbitrage rebate payable	-	-	43,702	43,702
Deferred revenue	-	583,915	-	583,915
Total liabilities	<u>2,531,647</u>	<u>583,915</u>	<u>624,137</u>	<u>3,739,699</u>
FUND BALANCES				
Unreserved	<u>6,693,043</u>	<u>707,405</u>	<u>1,987,001</u>	<u>9,387,449</u>
Total liabilities and fund balances	<u>\$ 9,224,690</u>	<u>\$ 1,291,320</u>	<u>\$ 2,611,138</u>	<u>\$ 13,127,148</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2006

	Student Body Activity Fund	Cafeteria Fund	Special Revenue Funds	BESC Cafeteria Fund	Total
ASSETS					
Cash and cash equivalents	\$ 2,769,011	\$ -	\$ 3,709,916	\$ 100	\$ 6,479,027
Accounts and other receivables	80,151	539,721	570,537	7,095	1,197,504
Due from other funds	750,000	-	-	-	750,000
Inventories	-	787,497	-	10,662	798,159
Total assets	<u>\$ 3,599,162</u>	<u>\$ 1,327,218</u>	<u>\$ 4,280,453</u>	<u>\$ 17,857</u>	<u>\$ 9,224,690</u>
LIABILITIES					
Accounts payable	\$ 90,909	\$ 486,171	\$ 352,400	\$ 9,131	\$ 938,611
Accrued wages and benefits	-	172,017	813,312	6,405	991,734
Due to other funds	-	468,749	-	132,553	601,302
Total liabilities	<u>90,909</u>	<u>1,126,937</u>	<u>1,165,712</u>	<u>148,089</u>	<u>2,531,647</u>
FUND BALANCES (DEFICIT)					
Unreserved (deficit)	3,508,253	200,281	3,114,741	(130,232)	6,693,043
Total liabilities and fund balances	<u>\$ 3,599,162</u>	<u>\$ 1,327,218</u>	<u>\$ 4,280,453</u>	<u>\$ 17,857</u>	<u>\$ 9,224,690</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2006

	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	\$ -	\$ -	\$ -	\$ 4,305	\$ 4,305
Cash and cash equivalents with fiscal agents	-	-	-	58,132	58,132
Investments	-	-	-	587,035	587,035
Property and other taxes receivable	-	-	-	641,848	641,848
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,291,320</u>	<u>\$ 1,291,320</u>
LIABILITIES					
Deferred revenue	\$ -	\$ -	\$ -	\$ 583,915	\$ 583,915
FUND BALANCES					
Unreserved	-	-	-	707,405	707,405
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,291,320</u>	<u>\$ 1,291,320</u>

*These funds have no balance sheet activity here, but they do have expenditure and transfer activity, as 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, 2006

	System Project Fund	Facilities Improvement/ Technology Fund	Facilities Improvement II Fund	Total
ASSETS				
Cash and cash equivalents	\$ 50,526	\$ 1,312,122	\$ -	\$ 1,362,648
Investments	-	1,020,000	-	1,020,000
Accounts and other receivables	-	1,035	227,455	228,490
Total assets	<u>\$ 50,526</u>	<u>\$ 2,333,157</u>	<u>\$ 227,455</u>	<u>\$ 2,611,138</u>
LIABILITIES				
Accounts payable	\$ 2,121	\$ 338,600	\$ 10,660	\$ 351,381
Accrued wages and benefits	4,703	7,556	454	12,713
Due to other funds	-	-	216,341	216,341
Arbitrage rebate payable	43,702	-	-	43,702
Total liabilities	<u>50,526</u>	<u>346,156</u>	<u>227,455</u>	<u>624,137</u>
FUND BALANCES				
Unreserved	-	1,987,001	-	1,987,001
Total liabilities and fund balances	<u>\$ 50,526</u>	<u>\$ 2,333,157</u>	<u>\$ 227,455</u>	<u>\$ 2,611,138</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances by Fund Type
For the year ended June 30, 2006

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Funds	Total Nonmajor Capital Projects Funds	Total
REVENUES				
Property and other taxes	\$ -	\$ 920,899	\$ -	\$ 920,899
Federal and state support	9,592,747	-	-	9,592,747
County and intermediate sources	458,708	-	-	458,708
Charges for services	5,834,693	-	-	5,834,693
Extracurricular activities	7,123,378	-	-	7,123,378
Investment earnings	-	8,455	331,197	339,652
Other	3,265,067	-	5,379	3,270,446
Total revenues	<u>26,274,593</u>	<u>929,354</u>	<u>336,576</u>	<u>27,540,523</u>
EXPENDITURES				
Current Operating:				
Instruction				
Regular programs	11,126,278	-	-	11,126,278
Special programs	1,641,229	-	-	1,641,229
Summer school programs	300,722	-	-	300,722
Total instruction	<u>13,068,229</u>	<u>-</u>	<u>-</u>	<u>13,068,229</u>
Support services:				
Students	145,821	-	-	145,821
Instructional staff	320,698	-	-	320,698
General administration	540	-	-	540
School administration	336,336	-	-	336,336
Business	958,063	-	8,630	966,693
Central	20,213	-	659,553	679,766
Total support services	<u>1,781,671</u>	<u>-</u>	<u>668,183</u>	<u>2,449,854</u>
Enterprise and community services:				
Food services	13,811,263	-	-	13,811,263
Community services	21,032	-	-	21,032
Total enterprise and community services	<u>13,832,295</u>	<u>-</u>	<u>-</u>	<u>13,832,295</u>
Facilities acquisition and construction	<u>211,263</u>	<u>-</u>	<u>5,062,888</u>	<u>5,274,151</u>
Debt Service:				
Principal	-	7,050,000	-	7,050,000
Interest and fiscal charges	-	1,524,665	-	1,524,665
Total debt service	<u>-</u>	<u>8,574,665</u>	<u>-</u>	<u>8,574,665</u>
Total current expenditures	<u>28,893,458</u>	<u>8,574,665</u>	<u>5,731,071</u>	<u>43,199,194</u>
Excess of expenditures over revenues	<u>(2,618,865)</u>	<u>(7,645,311)</u>	<u>(5,394,495)</u>	<u>(15,658,671)</u>
OTHER FINANCING SOURCES				
Transfers in	125,492	8,574,665	-	8,700,157
Proceeds from the sale of capital assets	54,000	-	-	54,000
Total other financing sources	<u>179,492</u>	<u>8,574,665</u>	<u>-</u>	<u>8,754,157</u>
Net change in fund balances	<u>(2,439,373)</u>	<u>929,354</u>	<u>(5,394,495)</u>	<u>(6,904,514)</u>
Fund balances (deficit) - beginning of year	9,132,416	(221,949)	7,381,496	16,291,963
Fund balances - end of year	<u>\$ 6,693,043</u>	<u>\$ 707,405</u>	<u>\$ 1,987,001</u>	<u>\$ 9,387,449</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, 2006

	Student Body		Special	BESC	
	Activity	Cafeteria	Revenue	Cafeteria	
	Fund	Fund	Fund	Fund	Total
REVENUES					
Federal and state support	\$ -	\$ 9,560,792	\$ 31,955	\$ -	\$ 9,592,747
County and Intermediate sources	-	-	458,708	-	458,708
Charges for services	-	2,771,952	2,681,680	381,061	5,834,693
Extracurricular activities	7,123,378	-	-	-	7,123,378
Other	-	29,506	3,235,561	-	3,265,067
Total revenues	<u>7,123,378</u>	<u>12,362,250</u>	<u>6,407,904</u>	<u>381,061</u>	<u>26,274,593</u>
EXPENDITURES					
Current operating:					
Instruction:					
Regular programs	6,990,470	-	4,135,808	-	11,126,278
Special programs	-	-	1,641,229	-	1,641,229
Summer school programs	-	-	300,722	-	300,722
Total instruction	<u>6,990,470</u>	<u>-</u>	<u>6,077,759</u>	<u>-</u>	<u>13,068,229</u>
Support services:					
Students	-	-	145,821	-	145,821
Instructional staff	-	-	320,698	-	320,698
General administration	-	-	540	-	540
School administration	-	-	336,336	-	336,336
Business	-	-	958,063	-	958,063
Central	-	-	20,213	-	20,213
Total support services	<u>-</u>	<u>-</u>	<u>1,781,671</u>	<u>-</u>	<u>1,781,671</u>
Enterprise and community services:					
Food services	-	13,338,980	-	472,283	13,811,263
Community services	-	-	21,032	-	21,032
Total enterprise and community services	<u>-</u>	<u>13,338,980</u>	<u>21,032</u>	<u>472,283</u>	<u>13,832,295</u>
Facilities acquisition & construction	-	-	211,263	-	211,263
Total current expenditures	<u>6,990,470</u>	<u>13,338,980</u>	<u>8,091,725</u>	<u>472,283</u>	<u>28,893,458</u>
Excess of revenues over (under) expenditures	<u>132,908</u>	<u>(976,730)</u>	<u>(1,683,821)</u>	<u>(91,222)</u>	<u>(2,618,865)</u>
OTHER FINANCING SOURCES					
Transfers in	120,828	4,664	-	-	125,492
Proceeds from the sale of capital assets	-	54,000	-	-	54,000
Total other financing sources	<u>120,828</u>	<u>58,664</u>	<u>-</u>	<u>-</u>	<u>179,492</u>
Net change in fund balances	253,736	(918,066)	(1,683,821)	(91,222)	(2,439,373)
Fund balances (deficit) - beginning of year	3,254,517	1,118,347	4,798,562	(39,010)	9,132,416
Fund balances (deficit) - end of year	<u>\$ 3,508,253</u>	<u>\$ 200,281</u>	<u>\$ 3,114,741</u>	<u>\$ (130,232)</u>	<u>\$ 6,693,043</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
For the year ended June 30, 2006

	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	\$ -	\$ -	\$ -	\$ 920,899	\$ 920,899
Investment earnings	-	-	-	8,455	8,455
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>929,354</u>	<u>929,354</u>
EXPENDITURES					
Debt Service:					
Principal	4,555,000	1,320,000	1,175,000	-	7,050,000
Interest and fiscal charges	890,420	135,250	498,995	-	1,524,665
Total expenditures	<u>5,445,420</u>	<u>1,455,250</u>	<u>1,673,995</u>	<u>-</u>	<u>8,574,665</u>
Excess of revenues over (under) expenditures	(5,445,420)	(1,455,250)	(1,673,995)	929,354	(7,645,311)
OTHER FINANCING SOURCES					
Transfers in	<u>5,445,420</u>	<u>1,455,250</u>	<u>1,673,995</u>	<u>-</u>	<u>8,574,665</u>
Net change in fund balances	-	-	-	929,354	929,354
Fund balance (deficit) - beginning of year	-	-	-	(221,949)	(221,949)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 707,405</u>	<u>\$ 707,405</u>

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, 2006

	System Project Fund	Facilities Improvement/ Technology Fund	Facilities Improvement II Fund	Total
REVENUES				
Investment earnings	\$ 6,810	\$ 81,389	\$ 242,998	\$ 331,197
Other	-	5,379	-	5,379
Total revenues	<u>6,810</u>	<u>86,768</u>	<u>242,998</u>	<u>336,576</u>
EXPENDITURES				
Current operating:				
Support services:				
Business	2,000	-	6,630	8,630
Central	423,383	206,170	30,000	659,553
Total support services	<u>425,383</u>	<u>206,170</u>	<u>36,630</u>	<u>668,183</u>
Facilities acquisition and construction	-	3,493,926	1,568,962	5,062,888
Total expenditures	<u>425,383</u>	<u>3,700,096</u>	<u>1,605,592</u>	<u>5,731,071</u>
Excess of expenditures over revenues	(418,573)	(3,613,328)	(1,362,594)	(5,394,495)
Fund balances - beginning of year	418,573	5,600,329	1,362,594	7,381,496
Fund balances - end of year	<u>\$ -</u>	<u>\$ 1,987,001</u>	<u>\$ -</u>	<u>\$ 1,987,001</u>

BUDGETARY COMPARISON SCHEDULES
Nonmajor Governmental Funds

This Page Intentionally Left Blank

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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
REVENUES				
Extracurricular activities	\$ 7,850,000	\$ 7,850,000	\$ 7,123,378	\$ (726,622)
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs				
Materials and services	8,000,000	8,000,000	6,990,470	1,009,530
Excess of expenditures over (under) revenues	(150,000)	(150,000)	132,908	282,908
OTHER FINANCING SOURCE				
Transfers in	150,000	150,000	120,828	(29,172)
Net change in fund balance	-	-	253,736	253,736
Fund balance - beginning of year	3,000,000	3,000,000	3,254,517	254,517
Fund balance - end of year	\$ 3,000,000	\$ 3,000,000	\$ 3,508,253	\$ 508,253

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 2,687,387	\$ 2,687,387	\$ 2,771,952	\$ 84,565
Federal and state support	11,147,390	11,147,390	9,560,792	(1,586,598)
Other	-	-	29,506	29,506
Total revenues	13,834,777	13,834,777	12,362,250	(1,472,527)
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	6,862,415	6,862,415	6,272,942	589,473
Materials and services	7,187,730	7,187,730	7,066,038	121,692
Total food services	14,050,145	14,050,145	13,338,980	711,165
Excess of expenditures over revenues	(215,368)	(215,368)	(976,730)	(761,362)
OTHER FINANCING SOURCES				
Transfers in	15,000	15,000	4,664	(10,336)
Proceeds from the sale of capital assets	-	-	54,000	54,000
Total other financing sources	15,000	15,000	58,664	43,664
Net change in fund balance	(200,368)	(200,368)	(918,066)	(717,698)
Fund balance - beginning of year	1,300,000	1,300,000	1,118,347	(181,653)
Fund balance - end of year	\$ 1,099,632	\$ 1,099,632	\$ 200,281	\$ (899,351)

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, 2006

	<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	\$ 624,194	\$ 624,194	\$ 381,061	\$ (243,133)
EXPENDITURES				
Current Operating:				
Enterprise and Community Services:				
Food services:				
Salaries and benefits	379,628	379,628	319,390	60,238
Materials and services	243,471	243,471	152,893	90,578
Total food services	623,099	623,099	472,283	150,816
Excess (deficiency) of revenues over (under) expenditures	1,095	1,095	(91,222)	(92,317)
Fund balance (deficit) - beginning of year	4,000	4,000	(39,010)	(43,010)
Fund balance (deficit) - end of year	<u>\$ 5,095</u>	<u>\$ 5,095</u>	<u>\$ (130,232)</u>	<u>\$ (135,327)</u>

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive/ (Negative)</u>
REVENUES				
County and Intermediate sources	\$ 1,742,500	\$ 1,834,830	\$ 458,708	\$ (1,376,122)
Federal and state support	64,400	56,452	31,955	(24,497)
Charges for services	3,299,500	3,203,268	2,681,680	(521,588)
Other	<u>3,449,475</u>	<u>4,326,312</u>	<u>3,235,561</u>	<u>(1,090,751)</u>
Total revenues	<u>8,555,875</u>	<u>9,420,862</u>	<u>6,407,904</u>	<u>(3,012,958)</u>
EXPENDITURES				
Current Operating:				
Instruction:				
Regular programs:				
Salaries and benefits	3,068,139	3,859,320	3,753,216	106,104
Materials and services	792,630	391,449	382,592	8,857
Total regular programs	<u>3,860,769</u>	<u>4,250,769</u>	<u>4,135,808</u>	<u>114,961</u>
Special programs:				
Salaries and benefits	991,080	1,734,851	1,359,073	375,778
Materials and services	628,670	284,899	282,156	2,743
Total special programs	<u>1,619,750</u>	<u>2,019,750</u>	<u>1,641,229</u>	<u>378,521</u>
Summer school programs:				
Salaries and benefits	506,062	333,647	255,266	78,381
Materials and services	93,938	54,002	45,456	8,546
Total summer school programs	<u>600,000</u>	<u>387,649</u>	<u>300,722</u>	<u>86,927</u>
Total instruction	<u>6,080,519</u>	<u>6,658,168</u>	<u>6,077,759</u>	<u>580,409</u>
Support Services:				
Students:				
Salaries and benefits	63,545	157,452	71,427	86,025
Materials and services	1,073,691	864,784	74,394	790,390
Total students	<u>1,137,236</u>	<u>1,022,236</u>	<u>145,821</u>	<u>876,415</u>
Instructional staff:				
Salaries and benefits	15,695	262,869	254,118	8,751
Materials and services	210,020	77,846	66,580	11,266
Total instructional staff	<u>225,715</u>	<u>340,715</u>	<u>320,698</u>	<u>20,017</u>
General administration:				
Salaries and benefits	-	2,819	-	2,819
Materials and services	17,000	14,181	540	13,641
Total general administration	<u>17,000</u>	<u>17,000</u>	<u>540</u>	<u>16,460</u>
School administration:				
Salaries and benefits	472,001	369,767	324,317	45,450
Materials and services	128,104	34,704	12,019	22,685
Total school administration	<u>600,105</u>	<u>404,471</u>	<u>336,336</u>	<u>68,135</u>

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 (Continued)
For the year ended June 30, 2006

	<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:				
Materials and services	\$ 524,300	\$ 974,300	\$ 958,063	\$ 16,237
Central:				
Salaries and benefits	-	7,689	-	7,689
Materials and services	65,000	57,311	20,213	37,098
Total central	65,000	65,000	20,213	44,787
Total support services	2,569,356	2,823,722	1,781,671	1,042,051
Enterprise and Community Services:				
Food Services:				
Materials and services	6,000	-	-	-
Community Services:				
Salaries and benefits	-	-	9,632	(9,632)
Materials and services	-	6,590	11,400	(4,810)
Total community services	-	6,590	21,032	(14,442)
Facilities acquisition & construction:				
Materials and services	-	-	211,263	(211,263)
Total enterprise and community service	6,000	6,590	232,295	(225,705)
Total current expenditures	8,655,875	9,488,480	8,091,725	1,396,755
Excess of expenditures over revenues	(100,000)	(67,618)	(1,683,821)	(1,616,203)
 OTHER FINANCING SOURCES				
Proceeds from the sale of capital assets	100,000	67,618	-	(67,618)
Net change in fund balance	-	-	(1,683,821)	(1,683,821)
Fund balance - beginning of year	4,200,000	4,200,000	4,798,562	598,562
Fund balance - end of year	<u>\$ 4,200,000</u>	<u>\$ 4,200,000</u>	<u>\$ 3,114,741</u>	<u>\$ (1,017,641)</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, 2006

	<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	\$ 4,555,000	\$ 4,555,000	\$ 4,555,000	\$ -
Interest and fiscal charges	890,420	890,420	890,420	-
Total expenditures	5,445,420	5,445,420	5,445,420	-
OTHER FINANCING SOURCES				
Transfers in	5,445,420	5,445,420	5,445,420	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHOOL DISTRICT NO.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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal	\$ 1,320,000	\$ 1,320,000	\$ 1,320,000	\$ -
Interest and fiscal charges	135,250	135,250	135,250	-
Total expenditures	1,455,250	1,455,250	1,455,250	-
OTHER FINANCING SOURCES				
Transfers in	1,455,250	1,455,250	1,455,250	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Bond Sinking Fund
Schedule of Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal	\$ 1,175,000	\$ 1,175,000	\$ 1,175,000	\$ -
Interest and fiscal charges	498,995	498,995	498,995	-
Total expenditures	1,673,995	1,673,995	1,673,995	-
OTHER FINANCING SOURCES				
Transfers in	1,673,995	1,673,995	1,673,995	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

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

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
General Obligation Bond Debt Service Fund
Schedule of Revenues, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2006

	<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	\$ 975,000	\$ 975,000	\$ 920,899	\$ (54,101)
Investment earnings	-	-	8,455	8,455
Total revenues	<u>975,000</u>	<u>975,000</u>	<u>929,354</u>	<u>(45,646)</u>
Fund balance (deficit) - beginning of year	<u>(400,000)</u>	<u>(400,000)</u>	<u>(221,949)</u>	<u>178,051</u>
Fund deficit - end of year	<u>\$ 575,000</u>	<u>\$ 575,000</u>	<u>\$ 707,405</u>	<u>\$ 132,405</u>

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, 2006

	<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				
Investment earnings	\$ 10,000	\$ 10,000	\$ 6,810	\$ (3,190)
EXPENDITURES				
Current Operating:				
Support Services:				
Business:				
Materials and services	10,000	10,000	2,000	8,000
Central:				
Salaries and benefits	1,505	140,549	138,482	2,067
Materials and services	223,415	278,024	284,901	(6,877)
Total central	<u>224,920</u>	<u>418,573</u>	<u>423,383</u>	<u>(4,810)</u>
Total support services	<u>234,920</u>	<u>428,573</u>	<u>425,383</u>	<u>3,190</u>
Total current expenditures	<u>234,920</u>	<u>428,573</u>	<u>425,383</u>	<u>3,190</u>
Excess of expenditures over revenues	(224,920)	(418,573)	(418,573)	-
Fund balance - beginning of year	224,920	418,573	418,573	-
Fund balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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
Facilities Improvement/Technology Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the year ended June 30, 2006

	<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	\$ 50,000	\$ 50,000	\$ 81,389	\$ 31,389
Other	-	-	5,379	5,379
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>86,768</u>	<u>36,768</u>
EXPENDITURES				
Current Operating:				
Support Services:				
Central:				
Materials and services	373,340	373,340	206,170	167,170
Total support services	<u>373,340</u>	<u>373,340</u>	<u>206,170</u>	<u>167,170</u>
Facilities Acquisition & Construction:				
Salaries and benefits	310,830	314,460	275,142	39,318
Materials and services	4,304,552	4,300,922	3,218,784	1,082,138
Total facilities acquisition & construction	<u>4,615,382</u>	<u>4,615,382</u>	<u>3,493,926</u>	<u>1,121,456</u>
Total expenditures	<u>4,988,722</u>	<u>4,988,722</u>	<u>3,700,096</u>	<u>1,288,626</u>
Excess of revenue over (under) expenditures	(4,938,722)	(4,938,722)	(3,613,328)	1,320,015
Fund balance - beginning of year	4,938,722	4,938,722	5,600,329	661,607
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,987,001</u>	<u>\$ 1,987,001</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 20,000	\$ 250,156	\$ 242,998	\$ (7,158)
EXPENDITURES				
Current Operating:				
Support Services:				
Business:				
Materials and services	10,000	8,630	6,630	2,000
Central:				
Materials and services	-	-	30,000	(30,000)
Total support services	10,000	8,630	36,630	(28,000)
Facilities Acquisition & Construction:				
Salaries and benefits	-	4,331	4,204	127
Materials and services	857,350	1,599,789	1,564,758	35,031
Total facilities acquisition & construction	857,350	1,604,120	1,568,962	35,158
Total expenditures	867,350	1,612,750	1,605,592	7,158
Excess of expenditures over revenues	(847,350)	(1,362,594)	(1,362,594)	-
Fund balance - beginning of year	847,350	1,362,594	1,362,594	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 4,748,143	\$ 4,748,143	\$ 4,920,103	\$ 171,960
Investment income	80,000	80,000	189,273	109,273
Insurance recoveries	399,112	399,112	1,117,984	718,872
Total revenues	<u>5,227,255</u>	<u>5,227,255</u>	<u>6,227,360</u>	<u>1,000,105</u>
EXPENDITURES				
Current Operating:				
Support Services:				
Salaries and benefits	500,208	500,208	475,470	24,738
Materials and services	240,100	240,100	617,345	(377,245)
Claims expense	4,346,130	4,346,130	4,129,424	216,706
Operating contingency	200,000	200,000	-	200,000
Total expenditures	<u>5,286,438</u>	<u>5,286,438</u>	<u>5,222,239</u>	<u>64,199</u>
Excess of revenues over (under) expenditures	(59,183)	(59,183)	1,005,121	1,064,304
Fund balance - beginning of year	310,589	310,589	1,375,824	1,065,235
Fund balance - end of year	<u>\$ 251,406</u>	<u>\$ 251,406</u>	2,380,945	<u>\$ 2,129,539</u>
Less salaries and benefits accrued under GAAP			(15,606)	
Retained earnings at end of year, GAAP basis			<u>\$ 2,365,339</u>	

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

This Page Intentionally Left Blank

OTHER FINANCIAL SCHEDULES

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund

Schedule of Property Tax Transactions
For the Year Ended June 30, 2006

Tax Year	Taxes Uncollected June 30, 2005	Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes Uncollected June 30, 2006
DISTRICT LEVIES							
Multnomah County:							
General Tax:							
Current Year	\$ -	\$ 148,224,255	\$ (3,612,114)	\$ 92,066	\$ (679,648)	\$ (139,873,913)	\$ 4,150,646
Prior Years	4,533,821	-	8,447	189,434	(504,424)	(2,738,457)	1,488,821
2003-2004	1,683,142	-	6,805	134,080	(263,758)	(769,726)	790,543
2002-2003	910,399	-	4,650	131,746	(178,104)	(525,906)	342,785
2001-2002	376,588	-	1,948	80,873	(6,133)	(362,467)	90,809
2000-2001	106,057	-	-	8,723	388	(45,942)	69,226
1999-2000	40,783	-	-	10,615	(1,571)	(26,410)	23,417
1998-1999	19,160	-	-	2,272	(310)	(5,190)	15,932
1997-1998	22,968	-	-	1,759	(297)	(3,740)	20,690
1996-1997	10,214	-	-	1,886	(320)	(3,795)	7,985
and prior	118,705	-	-	20,426	(4,466)	(31,761)	102,904
Total General Tax:	7,821,837	148,224,255	(3,590,264)	673,880	(1,638,643)	(144,387,307)	7,103,758
Local Option Taxes:							
Current Year	-	-	-	-	-	-	-
Prior Year	520,476	-	970	21,747	(57,907)	(314,371)	170,915
2003-2004	196,976	-	796	15,691	(30,868)	(90,081)	92,514
2002-2003	103,900	-	531	15,036	(20,326)	(60,020)	39,121
2001-2002	41,036	-	212	8,812	(668)	(39,496)	9,896
2000-2001	10,637	-	-	875	39	(4,607)	6,944
Total Local Option Taxes:	873,025	-	2,509	62,161	(109,730)	(508,575)	319,390
Cancel/Omit							
Current Year	-	416,664	(10,154)	259	(1,910)	(393,191)	11,668
Prior Year	12,487	-	23	522	(1,389)	(7,542)	4,101
2003-2004	3,507	-	14	279	(550)	(1,604)	1,646
Total Cancel/Omit Taxes:	15,994	416,664	(10,117)	1,060	(3,849)	(402,337)	17,415
Total Multnomah County:	8,710,856	148,640,919	(3,597,872)	737,101	(1,752,222)	(145,298,219)	7,440,563
Washington County:							
All Years ¹	-	1,069,564	-	-	-	(1,069,564)	-
Clackamas County:							
All Years ¹	-	125,388	-	-	-	(125,388)	-
Total All Counties:	\$ 8,710,856	\$ 149,835,871	\$ (3,597,872)	\$ 737,101	\$ (1,752,222)	\$ (146,493,171)	\$ 7,440,563

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, 2006 were considered immaterial.

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
General Fund
Schedule of Property Tax Transactions
For the Year Ended June 30, 2006

Reconciliation to Financial Statements:	
Property tax collections for the year ended June 30, 2006	\$ 146,493,171
Non-levied tax revenue received for the year ended June 30, 2006	572,318
Uncollected property taxes at June 30, 2006	\$ 7,440,563
Uncollected property taxes susceptible to accrual at June 30, 2006	656,005 (644,165)
Non-levied tax revenue susceptible to accrual at June 30, 2006	11,603 (11,197)
Property taxes & non-levy revenue susceptible to accrual at June 30, 2005, and collected during the year ended June 30, 2006	<u>(835,889)</u>
Total property tax revenue	<u>\$ 146,897,208</u>
Total deferred revenue	<u>\$ 6,785,201</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY OREGON
Debt Service Funds
Schedule of Property Tax Transactions
For the Year Ended June 30, 2006

DISTRICT LEVIES	Tax Year	Taxes	Levy as Extended by Assessor	Discounts Allowed	Interest	Cancellations and Adjustments	Property Tax Collections	Taxes
		Uncollected June 30, 2005						Uncollected June 30, 2006
Multnomah County:								
Bond Tax:								
	2005-2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2004-2005	1,007,937	1,878	42,114	(112,141)	(608,800)	330,988	
	2003-2004	387,855	1,568	30,897	(60,779)	(177,372)	182,169	
	2002-2003	217,894	1,113	31,532	(42,627)	(125,870)	82,042	
	2001-2002	73,665	381	15,820	(1,200)	(70,903)	17,763	
	2000-2001	20,415	-	1,679	75	(8,843)	13,326	
	1999-2000	8,353	-	2,174	(322)	(5,409)	4,796	
	1998-1999	3,735	-	443	(60)	(1,012)	3,106	
	1997-1998	5,783	-	443	(75)	(942)	5,209	
	1996-1997	1,506	-	278	(47)	(560)	1,177	
		<u>1,727,143</u>	<u>4,940</u>	<u>125,380</u>	<u>(217,176)</u>	<u>(999,711)</u>	<u>640,576</u>	
Total Multnomah County:								
Washington County:								
	All Years ¹	-	6,676	-	-	(6,676)	-	
Clackamas County:								
	All Years ¹	-	876	-	-	(876)	-	
	Total All Counties:	<u>\$ 1,727,143</u>	<u>\$ 7,552</u>	<u>\$ 125,380</u>	<u>\$ (217,176)</u>	<u>\$ (1,007,263)</u>	<u>\$ 640,576</u>	
Reconciliation to Financial Statements:								
	Property tax collections for the year ended June 30, 2006					\$ 1,007,263		
	Non-levied tax revenue received for the year ended June 30, 2006					19,336		
	Uncollected property taxes at June 30, 2006						\$ 640,576	
	Uncollected property taxes susceptible to accrual at June 30, 2006					57,348		(56,661)
	Property taxes & non-levy revenue susceptible to accrual at June 30, 2005, and collected during the year ended June 30, 2006					(163,048)		
	Total property tax revenue					<u>\$ 920,899</u>		
	Total deferred revenue						<u>\$ 583,915</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, 2006 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, 2006

Governmental funds capital assets:	
Land	\$ 8,774,770
Buildings and site improvements	307,332,193
Vehicles and equipment	33,761,365
Construction in progress	1,352,770
Total governmental funds capital assets	<u>\$ 351,221,098</u>

Investments in governmental funds capital assets by source:	
General fund	\$ 139,445,321
Special Revenue funds	2,843,424
Capital Projects funds	208,932,353
Total governmental funds capital assets	<u>\$ 351,221,098</u>

SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2006

<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	\$ 280,359,455	\$ 2,526,130	\$ 1,180,477	\$ 290,833,333
Supporting services	2,007,500	26,962,278	29,922,706	236,163	59,128,647
Food services	-	10,460	1,312,529	(63,870)	1,259,118
Total governmental funds capital assets	<u>\$ 8,774,770</u>	<u>\$ 307,332,193</u>	<u>\$ 33,761,365</u>	<u>\$ 1,352,770</u>	<u>\$ 351,221,098</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, 2006

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2006</u>
General government				
Instruction	\$ 287,205,590	\$ 3,554,491	\$ 22,614	\$ 290,737,467
Supporting services	58,978,408	1,050,208	804,103	59,224,513
Food services	1,062,256	371,043	174,180	1,259,118
Total governmental funds capital assets	<u>\$ 347,246,254</u>	<u>\$ 4,975,741</u>	<u>\$ 1,000,897</u>	<u>\$ 351,221,098</u>

STATISTICAL SECTION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006
[TAB INSERT]

STATISTICAL SECTION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006
[TAB INSERT]

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>	81
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>	86
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
<i>Debt Capacity</i>	90
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>	93
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>	95
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.

This Page Intentionally Left Blank

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

Governmental Activities	Fiscal year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Assets					
Current and other assets	\$ 138,570,096	\$ 103,758,133	\$ 142,480,484	\$ 161,328,392	\$ 169,096,617
Prepaid pension costs	-	486,617,609	486,071,587	485,029,169	478,576,495
Net capital assets	<u>223,642,208</u>	<u>228,616,491</u>	<u>224,098,220</u>	<u>210,589,259</u>	<u>203,717,454</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>856,946,820</u></u>	<u><u>851,390,566</u></u>
Liabilities					
Other current liabilities	78,923,488	116,163,653	75,478,168	75,082,225	78,829,393
Other long-term liabilities	169,925,241	78,866,315	79,987,337	37,906,890	32,875,603
Limited tax pension bonds payable	-	491,273,897	490,727,875	489,685,459	483,232,785
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>602,674,574</u></u>	<u><u>594,937,781</u></u>
Net Assets					
Invested in capital assets, net of related debt	87,514,912	123,871,911	156,010,883	183,482,369	183,157,012
Unrestricted	<u>25,848,663</u>	<u>8,816,457</u>	<u>50,446,028</u>	<u>70,789,877</u>	<u>73,295,773</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>\$ 254,272,246</u></u>	<u><u>\$ 256,452,785</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 Five Fiscal Years
(accrual basis of accounting)

Governmental Activities	Fiscal year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenditures					
Instruction	\$ 278,299,538	\$ 246,091,005	\$ 264,429,734	\$ 278,166,226	\$ 272,830,505
Support services	167,000,814	160,169,734	160,120,687	167,788,692	178,013,619
Enterprise and Community Services	14,879,069	14,736,156	13,734,717	15,424,600	15,385,942
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	1,816,178
Total expenditures	<u>472,389,279</u>	<u>447,242,405</u>	<u>452,844,132</u>	<u>467,524,406</u>	<u>468,046,244</u>
Program Revenues					
Charges for services:					
Instruction	8,165,250	6,318,753	3,561,322	3,672,390	4,446,884
Support services	-	-	2,126,708	1,855,014	1,712,468
Enterprise and Community Services	4,693,192	4,213,286	3,962,141	3,949,534	3,153,013
Operating grants and contributions:					
Instruction	55,615,360	48,305,892	40,544,731	43,992,249	44,130,929
Support services	18,249,919	16,185,600	18,075,525	23,581,529	23,565,689
Enterprise and Community Services	10,090,155	11,125,271	10,983,081	11,128,402	11,176,301
Total program revenues	<u>96,813,876</u>	<u>86,148,802</u>	<u>79,253,508</u>	<u>88,179,118</u>	<u>88,185,284</u>
Net Expenditures	<u>(375,575,403)</u>	<u>(361,093,603)</u>	<u>(373,590,624)</u>	<u>(379,345,288)</u>	<u>(379,860,959)</u>
General Revenues:					
Property taxes, levies for operations	128,574,250	131,056,316	135,183,185	138,698,619	144,542,631
Property taxes, levies for debt service	39,312,267	47,081,715	45,672,830	33,979,321	920,899
Local option taxes	14,879,271	16,263,204	17,164,911	31,750,751	466,473
State School Fund	193,284,103	150,705,317	183,619,106	148,012,565	157,061,375
State Common School Fund	1,527,383	3,100,444	1,251,379	3,783,920	4,135,436
County and intermediate sources	10,863,837	24,440,903	50,805,630	59,733,548	59,612,824
Investment earnings	5,310,974	2,187,551	1,786,274	3,091,245	5,554,172
Other	2,278,644	5,343,708	6,383,011	8,255,466	9,781,050
Gain (Loss) on disposal of capital assets	2,098,078	239,238	5,492,841	6,023,738	(33,362)
Total general revenues	<u>398,128,807</u>	<u>380,418,396</u>	<u>447,359,167</u>	<u>433,329,173</u>	<u>382,041,498</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>	<u>\$ 2,180,539</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)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Fund Balances (Deficit)					
Unreserved, reported in					
General Fund	\$ 1,332,703	\$ 10,667,200	\$ 6,612,324	\$ 8,184,156 ⁽¹⁾	\$ 999,028
Special revenue funds	2,084,160	3,065,231	4,522,475 ⁽¹⁾	8,122,156 ⁽¹⁾	8,257,539 ⁽¹⁾
Capital projects funds	171,401,412	107,939,743	112,507,514	92,127,886	68,833,381
Debt service funds	(3,717,616)	712,396 ⁽¹⁾	1,614,537	2,724,060	1,387,057
Total fund balances	<u>\$ 171,100,659</u>	<u>\$ 122,384,570</u>	<u>\$ 125,256,850</u>	<u>\$ 111,158,258</u>	<u>\$ 79,477,005</u>

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Fund Balances (Deficit)					
Unreserved, reported in					
General Fund	\$ (2,819,020)	\$ (13,551,548)	\$ 13,190,954	\$ 31,836,517	\$ 43,235,343
Special revenue funds	7,225,462	11,222,575	20,882,265	29,932,416	25,493,043
Capital projects funds	46,613,244	23,228,580	12,964,788	7,381,496	1,987,001
Debt service funds	(893,172)	2,634,927	2,256,445	(221,949)	707,405
Total fund balances	<u>\$ 50,126,514</u>	<u>\$ 23,534,534</u>	<u>\$ 49,294,452</u>	<u>\$ 68,928,480</u>	<u>\$ 71,422,792</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)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues				
Property and other taxes	\$ 140,830,071	\$ 146,819,152	\$ 155,776,530	\$ 153,568,334
State School Fund	156,410,616	187,572,207	175,879,263	189,566,900
Local option taxes	-	-	-	-
County and intermediate sources	10,628,341	10,885,505	10,997,073	10,869,502
State Common School Fund	1,480,940	1,164,795	1,187,604	3,822,492
Federal and state support	59,923,313	61,290,193	67,129,610	77,008,008
Charges for services	3,555,970	3,285,157	1,821,159	1,791,888
Extracurricular activities	4,849,997	5,360,084	5,842,127	6,051,838
Investment earnings	11,952,950	12,023,731	8,357,365	10,074,238
Other	20,834,031	9,189,325	9,252,418	12,883,137
Total revenues	<u>410,466,229</u>	<u>437,590,149</u>	<u>436,243,149</u>	<u>465,636,337</u>
Expenditures				
Current Operating				
Instruction	221,539,248	227,729,663	240,125,273	251,936,165
Support services	153,058,179	192,467,439	185,418,653	172,477,618
Enterprise and Community Services	12,980,188	11,826,758	12,873,913	13,922,082
Non-capital facilities acquisition & construction	7,154,690	5,504,946	-	-
Debt Service				
Principal	25,528,066	31,176,870	92,507,724	32,384,133
Interest	17,037,257	17,138,701	14,719,094	14,540,768
Bond issue costs	-	-	-	-
Total expenditures	<u>437,297,628</u>	<u>485,844,377</u>	<u>545,644,657</u>	<u>485,260,766</u>
Excess (deficiency) of revenues over expenditures	<u>(26,831,399)</u>	<u>(48,254,228)</u>	<u>(109,401,508)</u>	<u>(19,624,429)</u>
Other Financing Sources (Uses)				
Transfers in	23,160,120	20,796,278	30,960,049	9,136,011
Transfers out	(23,160,120)	(21,796,278)	(30,960,049)	(9,888,370)
Proceeds from borrowing	99,737,725	560,945	105,655,381	6,052,477
Defeasance of bonds	-	-	-	(2,759,464)
Payments to escrow agent	-	-	-	-
Proceeds from the sale of capital assets	-	10,867	5,998,503	3,601,751
Total other financing sources (uses)	<u>99,737,725</u>	<u>(428,188)</u>	<u>111,653,884</u>	<u>6,142,405</u>
Net change in fund balances	<u>\$ 72,906,326</u>	<u>\$ (48,682,416)</u>	<u>\$ 2,252,376</u>	<u>\$ (13,482,024)</u>
Debt services as a percentage of noncapital expenditures	9.9%	10.1%	19.7%	9.7%

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 170,871,461	\$ 166,429,819	\$ 178,202,707	\$ 181,356,289	\$ 173,146,732	\$ 147,351,635
193,991,416	193,284,103	150,705,317	183,619,106	148,012,565	157,061,375
-	14,879,271	16,263,204	17,164,911	31,750,751	466,473
10,820,167	10,863,837	24,440,903	50,805,630	59,733,548	59,612,824
4,096,001	1,527,383	3,100,444	1,251,379	3,783,920	4,135,436
76,452,000	74,306,854	64,116,273	59,191,176	68,903,035	68,060,477
4,087,934	4,693,192	4,213,286	9,650,171	9,476,938	9,312,365
6,364,927	7,006,887	7,171,159	7,259,049	6,872,478	7,123,378
10,049,828	5,126,090	2,127,932	1,752,164	3,017,686	5,364,899
5,650,668	12,908,885	15,532,974	9,884,831	10,996,682	12,352,130
<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>	<u>470,840,992</u>
269,845,391	274,713,161	254,343,335	261,213,467	269,937,589	264,431,166
185,375,670	181,564,677	156,682,040	158,109,666	167,966,730	172,954,041
14,860,051	14,865,042	14,836,691	14,282,310	15,558,590	15,447,804
-	-	15,638,257	9,177,488	5,274,400	6,491,124
35,682,020	39,196,356	42,980,661	47,532,243	42,053,539	7,721,449
14,037,401	12,343,301	8,982,698	6,562,979	3,986,688	1,735,768
-	-	4,314,271	110,568	-	-
<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>	<u>468,781,352</u>
<u>(37,416,131)</u>	<u>(31,656,216)</u>	<u>(31,903,754)</u>	<u>24,945,985</u>	<u>10,916,799</u>	<u>2,059,640</u>
6,896,908	9,740,939	8,850,365	16,535,425	17,918,545	10,700,157
(6,896,908)	(9,740,939)	(8,850,365)	(16,535,425)	(17,918,545)	(10,700,157)
-	-	490,933,461	11,900,000	-	-
-	-	-	-	-	-
-	-	(486,617,609)	(11,842,867)	-	-
4,520,758	2,305,725	995,922	756,800	8,717,229	434,672
<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>434,672</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>	<u>\$ 2,494,312</u>
9.6%	9.9%	11.7%	11.1%	9.2%	2.0%

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)				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 Structures	Public Utility							
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	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	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	30,490,074	7.1792	218,894	7,689	211,205
2006	30,797,829	1,832,766	14,267	1,251,626	33,896,488	16,827	31,400,551	4.7743	149,916	475	149,441

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 2003-2006: 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 Bonds	General Obligation Debt Service Bonds	Total Direct Tax Rate	
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
2006	4.7743	-	-	-	\$	4.7743

Overlapping Total Property Tax Rates							
Fiscal Year	Multnomah County	Port of Portland	Metro	City of Portland	Portland Community College	Multnomah Education Service District	
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
2006	5.3065	0.0701	0.2841	7.9181	0.4950	\$	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 expired on June 30, 2005 so the District's permanent rate went back to \$4.7743 for the 2005-06 fiscal year. Legislation passed in 2006 has allowed for the reauthorization of the "gap bonds" for three years beginning in 2006-2007, so the District's permanent rate will go back up to \$5.2781.

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	1997			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ten Largest Taxpayers						
US West Communications Inc./						
Qwest Corporation	\$ 353,170,297	1	1.33%	\$ 280,192,100	1	0.90%
Portland General Electric	137,232,800	3	0.01	216,732,280	2	0.70
Pacificorp	159,348,900	2	0.60	214,392,000	3	0.69
Silitronic Corp	72,249,810	7	0.27	178,237,850	4	0.57
Oregon Steel Mills Inc	-		-	154,010,820	5	0.49
LC Portland, LLC	-		-	139,251,690	6	0.45
Freightliner, LLC	-		-	125,332,735	7	0.40
One Eleven Tower, LLC	-		-	109,706,460	8	0.35
Northwest Natural Gas Co.	-		-	105,798,780	9	0.34
Oregon Arena Corp	124,000,000	4	0.47	104,821,450	10	0.34
Nabisco Inc	66,859,360	8	0.25	-		-
S-I Lloyd Associates (Lloyd Ctr.)	108,701,600	5	0.41	-		-
US Bancorp	81,019,000	6	0.30	-		-
Atocem North America Inc	64,234,280	9	0.24	-		-
Twelve Hundred Bldg	55,129,600	10	0.21	-		-
Subtotal of Ten Largest Taxpayers	1,221,945,647		3.54	1,628,476,165		5.23
All Other Taxpayers	25,420,079,389		95.41	29,494,326,382		94.41
Total All Taxpayers	<u>\$ 26,642,025,036</u>		<u>100.00%</u>	<u>\$ 31,122,802,547</u>		<u>100.00%</u>

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
1997	\$ 143,123,974	\$ 118,273,881	82.64%	\$ 4,800,148	\$ 123,074,029	85.99%
1998	146,598,607	140,697,837	95.97	5,099,054	145,796,891	99.45
1999	149,486,222	141,287,804	94.52	4,303,595	145,591,399	97.39
2000	157,234,206	148,099,203	94.19	4,720,241	152,819,444	97.19
2001	176,631,928	166,127,224	94.05	6,152,666	172,279,890	97.54
2002	185,435,529	174,460,215	94.08	5,419,408	179,879,623	97.00
2003	200,207,113	188,165,384	93.99	6,049,158	194,214,542	97.01
2004	203,293,962	191,749,647	94.32	4,295,969	196,045,616	96.43
2005	211,204,986	198,860,608	94.16	3,669,170	202,529,778	95.89
2006	148,224,255	141,469,608	95.44	-	141,469,608	95.44

Note:

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

¹ The net levy is the actual imposed tax after adjustments and constitutional property tax limitations due to the passing of Measure 5 in 1990 and Measure 50 in 1997. Additional information can be found on Schedule 5.

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)

General Bonded Debt					
Fiscal Year	General Obligation Bonds	Less Amount Available for Repayment	Net General Obligation Bonds Outstanding	Percentage of Actual Taxable Value of Property ¹	Per Student ²
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	-	-	-	-	-
2006	-	-	-	-	-

Other Governmental Activities Debt								
Fiscal Year	Limited Tax and G.O. Refunding Bonds	Certificates of Participation	Refunding Special Obligations	Small Scale Energy Loan Programs	Total District ³	Per Student ²	Per Capita ⁴	
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	
2006	492,858	14,880	1,385	4,295	513,418	10,922	1,202	

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 16

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, 2006
(dollars in thousands)

<u>Overlapping Issuer</u>	Net Property-tax Backed Debt ¹	Percent Overlapping	Overlapping Debt
Clackamas Cty RFPD #1	\$ 7,020	12.8800%	\$ 9
City of Lake Oswego	30,005	5.2836	1,585
City of Milwaukie	2,030	0.6779	14
Multnomah County	67,510	72.1647	48,718
METRO	113,842	36.0763	41,070
Tri-Met	77,420	36.3036	28,106
Portland Community College	73,895	46.0907	34,059
City of Portland	47,250	84.5623	39,956
Washington County	48,595	0.6837	332
Tualatin Hills Park & Rec. District	15,310	1.3490	207
Tualatin Valley Fire & Rescue District	4,130	2.1756	90
City of Beaverton	2,930	1.8950	<u>56</u>
Subtotal, overlapping debt			194,202
Direct District net property-tax backed debt			<u>-</u>
Total direct and overlapping debt			<u>\$ 194,202</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 2006

Real Market Value	\$ 56,770,752
Debt Limit (7.95%) ¹	4,513,275
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>\$ 4,513,275</u>

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 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	\$ 4,513,275
Total net debt applicable to limit	<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>	<u>-</u>
Legal debt margin	<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>	<u>\$ 4,513,275</u>
Total net debt applicable to the limit as a percentage of debt limit	8.86%	7.22%	6.15%	4.63%	3.67%	2.72%	1.69%	0.85%	0.00%	0.00%

¹ ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Aggregates are governed by real market values of all taxable 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	4.95%
^B Ninth through twelfth, 4 x .0075	3.00%
Allowable Percentage	<u><u>7.95%</u></u>

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

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
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	661,466	21,384,426	32,329	4.7
2001	668,490	22,589,707	33,792	6.3
2002	674,887	23,078,170	34,196	8.2
2003	677,562	23,174,380	34,203	8.6
2004	671,363	24,247,657	36,117	7.7
2005	- ¹	- ¹	- ¹	6.2
2006	- ¹	- ¹	- ¹	5.6 ²

¹ Data for 2005 and 2006 not available at time of printing.

² As of June, 2006

Sources:

Population, personal income and per capita information: US Department of Commerce, Bureau of Economic Analysis as reported in April 2006. Data for 2005 and 2006 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	1997			2006		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Ten Largest Employers						
Intel Corp.	9,500	1	0.97%	16,740	1	1.59%
Providence Health System	6,352 ¹	4	0.65	14,639	2	1.39
Oregon Health & Science University				11,500	3	1.09
Fred Meyer Stores	8,000 ¹	2	0.82	8,500	4	0.81
Kaiser Foundation Health Plan	6,862	3	0.70	8,221	5	0.78
Legacy Health System	5,055 ¹	6	0.52	8,196	6	0.78
City of Portland				7,996	7	0.76
Nike Inc.	4,773	7	0.49	7,648	8	0.73
State of Oregon				7,180	9	0.68
Beaverton School District				5,000	10	0.48
Safeway Inc., Portland Division	3,085	10	0.31			
US Bancorp	5,592	5	0.57			
Freightliner Corp.	4,229	9	0.43			
Tektronix Inc	4,770	8	0.49			
Subtotal of Ten Largest Employers	58,218		5.95	95,620		9.09
All Other Employers	922,582		94.05	956,395		90.91
Total Portland PMSA ² Employment	980,800		100.00%	1,052,015 ³		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 2006

Sources:

Portland Business Alliance, Book of Lists published for 2006 & 1997

Oregon Employment Department, Workforce and Economic Research

Schedule 14
SCHOOL DISTRICT NO.1, MULTNOMAH COUNTY, OREGON
Full-time Equivalent District Employees by Assignment/Function
For the Last Two Fiscal Years

Assignment/Function	Full-time Equivalent Employees for the Fiscal Year	
	2005	2006
Instructional Staff		
Prekindergarten teachers	32.5	29.5
Kindergarten teachers	132.9	132.5
Elementary teachers	1,231.9	1,136.4
Secondary teachers	608.2	549.9
Teachers of ungraded classes	653.4	629.0
Educational assistants	671.7	600.8
Instructional coordinators and supervisors	138.3	117.4
Subtotal Instructional Staff	3,468.9	3,195.5
Support Services Staff		
Elementary guidance	80.0	66.9
Secondary guidance	47.5	54.0
Librarians/media specialists	28.1	22.4
Library and media support staff	59.0	62.7
District administrators	16.8	17.8
District support staff	254.8	248.4
School administrators	143.0	147.6
School administrative support staff	238.3	252.8
Student services support staff	277.6	248.6
All other support staff ¹	433.9	401.5
Subtotal Support Services Staff	1,579.0	1,522.7
Total FTE	5,047.9	4,718.2

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
Meal and Transportation Services Provided
For the Last Four Fiscal Years

	<u>2003</u>		<u>2004</u>		<u>2005</u>		<u>2006</u>	
Nutrition Services								
Number of Meals Served ¹								
Paid Meals	1,378,222	21%	1,216,355	19%	1,187,985	19%	1,347,109	22%
Reduced Meals	543,040	8%	505,683	8%	472,370	8%	514,748	8%
Free Meals	4,759,912	71%	4,695,517	73%	4,454,440	73%	4,250,527	70%
	<u>6,681,174</u>	<u>100%</u>	<u>6,417,555</u>	<u>100%</u>	<u>6,114,795</u>	<u>100%</u>	<u>6,112,384</u>	<u>100%</u>
Average Daily Breakfast Served	18,454		18,524		16,376		14,782	
Average Daily Lunch Served	19,616		18,515		18,107		19,798	
Student Participation	45.48%		45.20%		43.65%		50.17%	
Transportation								
Number of buses	263		258		245		234	
Total miles traveled	3,462,902		3,270,179		2,985,868		2,635,510	
Cost per mile	\$ 3.51		\$ 3.77		\$ 3.87		\$ 4.38	
Area encompassed by								
District (sq mi)	160		160		160		160	

¹ Number of meals served includes breakfast, lunch, snack, and supper

² Student Participation percentage is calculated based on the average daily lunches served at elementary schools, middle schools, and high schools, over the average daily attendance (enrollment adjusted per industry factors) at the schools where nutrition services meals are served.

Sources: District Nutrition Services and Transportation departments

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

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Elementary Schools and Programs										
Abernethy (1924)										
Gross Floor Area (sq ft): 50,358										
Elementary Enrollment	208	202	209	185	198	204	213	199	203	366
Focus/Alt Prog Enrollment	179	190	182	185	190	218	225	233	-	-
Ainsworth w/Annex (1912)										
Gross Floor Area (sq ft): 57,593										
Elementary Enrollment	523	530	547	565	552	549	557	522	499	492
Alameda (1921)										
Gross Floor Area (sq ft): 64,138										
Elementary Enrollment	671	696	685	652	641	622	648	631	630	669
Applegate (1954)										
Gross Floor Area (sq ft): 26,101										
Elementary Enrollment	269	269	252	242	203	212	209	198	138	-
Arleta (1929)										
Gross Floor Area (sq ft): 76,489										
Elementary Enrollment	470	438	407	387	369	352	339	330	332	313
Astor (1949)										
Gross Floor Area (sq ft): 47,360										
Elementary Enrollment	393	380	354	349	352	337	311	283	287	279
Atkinson (1953)										
Gross Floor Area (sq ft): 58,057										
Elementary Enrollment	453	521	533	545	566	543	536	537	553	558
Ball (1948)										
Gross Floor Area (sq ft): 24,594										
Elementary Enrollment	332	299	350	333	318	309	312	226	228	271
Beach (1928)										
Gross Floor Area (sq ft): 70,404										
Elementary Enrollment	766	722	718	637	553	504	468	411	419	414
Boise-Eliot (1926)										
Gross Floor Area (sq ft): 61,369										
Elementary Enrollment	684	696	676	696	685	672	647	584	523	461
Bridger (1951)										
Gross Floor Area (sq ft): 45,142										
Elementary Enrollment	276	261	284	301	284	309	431	378	387	388
Bridlemile (1956)										
Gross Floor Area (sq ft): 59,037										
Elementary Enrollment	506	491	490	475	477	449	436	460	450	459
Brooklyn (1930)										
Gross Floor Area (sq ft): 39,084										
Elementary Enrollment	240	211	187	139	156	140	121	-	-	-
Focus/Alt Prog Enrollment	99	139	143	165	159	169	167	254	296	339
Buckman (1922)										
Gross Floor Area (sq ft): 82,023										
Elementary Enrollment	541	525	547	563	536	530	534	526	529	537

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

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Capitol Hill (1917)										
Gross Floor Area (sq ft): 47,275										
Elementary Enrollment	339	325	331	305	285	310	308	282	255	335
Chapman (1923)										
Gross Floor Area (sq ft): 62,962										
Elementary Enrollment	581	547	550	558	513	527	484	449	414	453
Chief Joseph (1949)										
Gross Floor Area (sq ft): 46,204										
Elementary Enrollment	350	373	362	326	320	298	287	266	234	393
Clarendon (1970)										
Gross Floor Area (sq ft): 42,958										
Elementary Enrollment	445	439	455	456	417	393	416	338	339	325
Clark (1955)										
Gross Floor Area (sq ft): 50,595										
Elementary Enrollment	574	553	545	537	531	532	556	515	499	500
Creston w/ Annex (1946)										
Gross Floor Area (sq ft): 80,940										
Elementary Enrollment	406	378	380	398	361	353	327	301	246	290
Duniway (1926)										
Gross Floor Area (sq ft): 67,492										
Elementary Enrollment	486	446	430	416	419	431	432	453	443	443
Edwards (1960)										
Gross Floor Area (sq ft): 20,502										
Elementary Enrollment	228	228	216	201	218	212	202	189	199	-
Faubion (1950)										
Gross Floor Area (sq ft): 57,846										
Elementary Enrollment	360	350	318	319	334	302	299	272	269	309
Forest Park (1998)										
Gross Floor Area (sq ft): 42,000										
Elementary Enrollment	-	-	184	226	284	334	377	407	456	517
Glencoe (1923)										
Gross Floor Area (sq ft): 64,378										
Elementary Enrollment	501	468	451	453	430	449	424	430	442	510
Grout (1927)										
Gross Floor Area (sq ft): 65,838										
Elementary Enrollment	443	393	364	354	323	295	248	314	320	310
Hayhurst (1954)										
Gross Floor Area (sq ft): 56,266										
Elementary Enrollment	379	360	294	288	259	271	259	212	353	358
Hollywood (1959)										
Gross Floor Area (sq ft): 15,701										
Elementary Enrollment	208	197	213	186	196	191	208	225	211	215
Humboldt (1959)										
Gross Floor Area (sq ft): 46,865										
Elementary Enrollment	467	416	405	343	325	326	283	257	255	270

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

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Irvington (1932)										
Gross Floor Area (sq ft): 65,285										
Elementary Enrollment	560	576	562	501	511	510	506	491	473	445
James John (1929)										
Gross Floor Area (sq ft): 63,697										
Elementary Enrollment	641	643	625	618	592	564	551	514	481	458
Kelly w/ Kelly Center (1957)										
Gross Floor Area (sq ft): 97,546										
Elementary Enrollment	553	578	585	554	526	481	491	491	478	484
Kenton (1913)										
Gross Floor Area (sq ft): 52,363										
Elementary Enrollment	289	245	240	250	249	233	252	225	166	-
King (1925)										
Gross Floor Area (sq ft): 88,957										
Elementary Enrollment	789	793	760	732	733	710	583	544	525	491
Laurelhurst (1923)										
Gross Floor Area (sq ft): 46,204										
Elementary Enrollment	550	557	536	512	526	526	561	561	558	581
Lee (1952)										
Gross Floor Area (sq ft): 73,276										
Elementary Enrollment	381	422	402	391	409	408	419	387	333	309
Lent (1948)										
Gross Floor Area (sq ft): 76,478										
Elementary Enrollment	341	376	390	397	401	400	383	335	355	366
Lewis (1952)										
Gross Floor Area (sq ft): 48,380										
Elementary Enrollment	263	281	270	263	292	294	294	289	271	301
Llewellyn (1928)										
Gross Floor Area (sq ft): 50,651										
Elementary Enrollment	367	360	362	330	336	311	315	302	298	301
Maplewood (1948)										
Gross Floor Area (sq ft): 35,022										
Elementary Enrollment	320	290	304	295	305	309	279	288	285	315
Markham (1950)										
Gross Floor Area (sq ft): 82,794										
Elementary Enrollment	354	336	395	393	370	358	333	330	301	398
Focus/Alt Prog Enrollment	90	85	-	-	-	-	-	-	-	-
Marysville (1921)										
Gross Floor Area (sq ft): 53,490										
Elementary Enrollment	436	397	416	397	400	395	394	367	349	336
Meek (1953)										
Gross Floor Area (sq ft): 32,477										
Elementary Enrollment	247	249	260	242	198	198	219	-	-	-
Focus/Alt Prog Enrollment	-	-	-	-	-	-	-	158	146	117

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

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Peninsula (1952)										
Gross Floor Area (sq ft): 70,151										
Elementary Enrollment	321	301	293	331	323	328	333	293	271	254
Richmond (1908)										
Gross Floor Area (sq ft): 77,070										
Elementary Enrollment	544	521	508	490	477	470	443	415	393	309
Rieke (1959)										
Gross Floor Area (sq ft): 30,647										
Elementary Enrollment	290	281	284	278	288	307	266	276	266	267
Rigler (1931)										
Gross Floor Area (sq ft): 59,760										
Elementary Enrollment	568	576	544	506	525	492	474	489	466	442
Rose City Park (1921)										
Gross Floor Area (sq ft): 75,693										
Elementary Enrollment	592	551	529	510	467	470	489	446	433	429
Sabin (1927)										
Gross Floor Area (sq ft): 71,946										
Elementary Enrollment	579	543	460	415	394	370	292	393	413	422
Scott (1949)										
Gross Floor Area (sq ft): 62,681										
Elementary Enrollment	561	581	539	520	492	512	457	442	377	369
Sitton (1949)										
Gross Floor Area (sq ft): 58,762										
Elementary Enrollment	449	417	423	404	436	421	371	359	338	300
Skyline (1939)										
Gross Floor Area (sq ft): 37,245										
Elementary Enrollment	283	311	225	221	203	209	201	214	197	201
Smith (1958)										
Gross Floor Area (sq ft): 38,472										
Elementary Enrollment	273	285	254	239	234	252	251	238	219	-
Stephenson (1964)										
Gross Floor Area (sq ft): 40,539										
Elementary Enrollment	431	396	406	385	369	393	353	352	348	325
Sunnyside (1925)										
Gross Floor Area (sq ft): 54,361										
Elementary Enrollment	341	331	313	319	325	334	276	203	459	443
Vernon (1931)										
Gross Floor Area (sq ft): 72,323										
Elementary Enrollment	540	560	548	521	502	445	405	445	386	384
Vestal (1929)										
Gross Floor Area (sq ft): 66,378										
Elementary Enrollment	310	284	258	243	241	227	367	344	322	294
Whitman (1954)										
Gross Floor Area (sq ft): 69,755										
Elementary Enrollment	475	432	413	417	453	475	433	431	421	404

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

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Wilcox (1959)										
Gross Floor Area (sq ft): 19,102										
Elementary Enrollment	188	188	173	185	195	197	-	-	-	-
Woodlawn (1926)										
Gross Floor Area (sq ft): 61,595										
Elementary Enrollment	519	538	582	517	547	518	460	443	409	531
Woodmere (1954)										
Gross Floor Area (sq ft): 59,293										
Elementary Enrollment	460	485	491	488	474	503	490	477	458	449
Woodstock (1955)										
Gross Floor Area (sq ft): 69,135										
Elementary Enrollment	367	354	320	322	337	372	364	345	343	338
Youngson (1955)										
Gross Floor Area (sq ft): 32,824										
Elementary Enrollment	222	220	187	197	185	177	-	-	-	-
Middle Schools and Programs										
Beaumont (1926)										
Gross Floor Area (sq ft): 94,431										
Middle School Enrollment	711	710	670	629	631	670	610	577	542	536
Binnsmead (1949)										
Gross Floor Area (sq ft): 109,059										
Middle School Enrollment	709	709	646	647	699	735	769	687	687	680
Fernwood (1911)										
Gross Floor Area (sq ft): 74,963										
Middle School Enrollment	600	567	556	591	575	608	632	644	582	466
George (1950)										
Gross Floor Area (sq ft): 78,713										
Middle School Enrollment	588	561	571	555	549	558	546	467	473	403
Gray (1951)										
Gross Floor Area (sq ft): 60,624										
Middle School Enrollment	489	537	523	507	508	526	533	497	520	496
Gregory Heights (1923)										
Gross Floor Area (sq ft): 95,438										
Middle School Enrollment	832	781	769	781	812	821	740	718	630	691
Hosford (1925)										
Gross Floor Area (sq ft): 77,050										
Middle School Enrollment	515	482	434	431	426	374	386	377	405	448
Jackson (1964)										
Gross Floor Area (sq ft): 247,779										
Middle School Enrollment	795	770	842	808	796	807	823	768	773	694
Kellogg (1917)										
Gross Floor Area (sq ft): 94,592										
Middle School Enrollment	743	667	635	645	645	667	671	633	591	482
Lane (1926)										
Gross Floor Area (sq ft): 87,438										
Middle School Enrollment	726	770	658	657	678	696	652	638	592	553

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

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Mt. Tabor (1952)										
Gross Floor Area (sq ft): 83,076										
Middle School Enrollment	696	732	678	672	670	700	707	729	696	676
Ockley Green (1925)										
Gross Floor Area (sq ft): 71,937										
Middle School Enrollment	661	587	519	486	408	490	475	427	385	318
Portsmouth (1927)										
Gross Floor Area (sq ft): 75,814										
Middle School Enrollment	494	459	460	403	434	489	522	466	460	429
Sellwood (1913)										
Gross Floor Area (sq ft): 86,823										
Middle School Enrollment	601	567	542	533	584	602	619	593	603	564
Tubman w/ Annex (1952)										
Gross Floor Area (sq ft): 96,860										
Middle School Enrollment	581	518	508	565	541	517	463	373	294	273
West Sylvan (1953)										
Gross Floor Area (sq ft): 104,009										
Middle School Enrollment	872	876	881	878	907	915	947	897	884	878
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	1,455	1,457	1,486	1,475	1,479	1,501	1,498	1,501	1,452
Focus/Alt Prog Enrollment	58	24	-	-	-	-	-	10	20	15
Cleveland (1929)										
Gross Floor Area (sq ft): 253,895										
High School Enrollment	1,237	1,232	1,255	1,242	1,322	1,366	1,381	1,388	1,332	1,449
Franklin (1915)										
Gross Floor Area (sq ft): 237,027										
High School Enrollment	1,580	1,564	1,547	1,464	1,488	1,470	1,460	1,528	1,547	1,404
Grant (1923)										
Gross Floor Area (sq ft): 275,173										
High School Enrollment	1,692	1,767	1,907	1,912	1,794	1,798	1,848	1,835	1,848	1,815
Focus/Alt Prog Enrollment	118	113	99	90	83	82	100	98	76	91
Jefferson (1909)										
Gross Floor Area (sq ft): 360,911										
High School Enrollment	955	985	916	842	892	855	826	702	661	647
Lincoln (1950)										
Gross Floor Area (sq ft): 236,893										
High School Enrollment	1,362	1,338	1,357	1,304	1,374	1,469	1,429	1,483	1,444	1,485
Madison (1955)										
Gross Floor Area (sq ft): 370,112										
High School Enrollment	1,300	1,243	1,239	1,236	1,241	1,204	1,261	1,194	1,063	923
Focus/Alt Prog Enrollment	14	-	-	-	-	-	-	-	-	60

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

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Marshall (1959)										
Gross Floor Area (sq ft): 271,427										
High School Enrollment	1,284	1,277	1,348	1,332	1,278	1,222	1,102	949	906	955
Roosevelt w/ Auto Shop (1921)										
Gross Floor Area (sq ft): 274,478										
High School Enrollment	1,324	1,205	1,118	1,155	1,131	1,141	989	825	850	778
Focus/Alt Prog Enrollment	-	63	-	-	-	-	-	-	-	-
Wilson (1954)										
Gross Floor Area (sq ft): 326,062										
High School Enrollment	1,450	1,503	1,514	1,576	1,614	1,644	1,630	1,580	1,531	1,632
Facilities with Focus/Alternative Programs										
Glenhaven Vocational Village (1913)										
Gross Floor Area (sq ft): 63,714										
Focus/Alt Prog Enrollment	201	190	198	205	192	160	188	-	-	-
Metropolitan Learning Center (Couch) (1914)										
Gross Floor Area (sq ft): 68,135										
Focus/Alt Prog Enrollment	461	490	426	426	419	418	420	432	439	447
daVinci (Monroe) (1928)										
Gross Floor Area (sq ft): 99,219										
Focus/Alt Prog Enroll. (daVinci)	140	221	312	318	316	319	320	327	350	380
Focus/Alt Prog Enroll. (other)	90	172	65	61	43	46	35	-	23	22
Students in Focus/Alt. Programs located at other PPS facilities										
Focus/Alt Prog Enroll. (Head Start)	580	569	574	566	606	527	620	539	528	625
Focus/Alt Prog Enroll. (other)	158	151	141	49	59	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)

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
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/Adams - Killingsworth (1967)										
Gross Floor Area (sq ft): 268,899										
Middle School Enrollment	861	764	705	703	-	-	-	-	-	-
Enrollment Summary:										
Regular Programs										
Elementary Schools	26,503	25,972	25,594	24,818	24,420	24,125	23,177	21,924	21,505	21,381
Middle Schools	11,474	11,057	10,597	10,491	10,538	10,657	10,536	9,848	9,406	8,587
High Schools	13,641	13,569	13,658	13,549	13,609	13,648	13,427	12,982	12,683	12,540
Focus/Alternative Programs	2,188	2,489	2,184	2,114	2,109	1,971	2,084	2,051	1,878	2,096
Plus enrollment not normally within PPS facilities:										
Community Based Programs	1,569	1,466	1,673	1,706	1,416	1,297	1,381	1,270	1,171	1,308
Special Education Programs	2,647	2,112	2,169	2,117	2,311	2,330	2,170	462	562	525
Public Charter Programs	-	-	-	-	66	122	194	346	451	571
Total Enrollment	58,022	56,665	55,875	54,795	54,469	54,150	52,969	48,883	47,656	47,008

Gross Floor Area (sq ft) Summary:	Age of buildings (in years)			
	<u>Oldest</u>	<u>Median</u>	<u>Newest</u>	
Elementary Schools	3,523,923	98	58	8
Middle Schools	1,602,107	95	79	42
High Schools	3,016,888	97	80	47
Focus/Alternative Schools	231,068	93	92	78
Other Facilities	<u>1,109,077</u>	90	48	28
Total Gross Floor Area (sq ft)	<u>9,483,063</u>	98	58	8

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 2005"; Prepared January 7, 2006. 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.

AUDIT COMMENTS AND DISCLOSURES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006
[TAB INSERT]

AUDIT COMMENTS AND DISCLOSURES
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006
[TAB INSERT]

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in 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, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.



4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973
503/274-2849 • Fax 503/274-2853

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

November 16, 2006

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District No. 1, Multnomah County, Oregon (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2006. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our report relating to compliance and internal control over financial reporting follows this report.

ACCOUNTING RECORDS

We found the District's accounting records adequate for audit.

ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated the collateral was insufficient at times during the year ended June 30, 2006.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2006, the District was in compliance with ORS 294 as it pertains to investment of public funds.

LEGAL REQUIREMENTS RELATING TO DEBT

The general obligation bonded debt of the District is in compliance with the limitation imposed by ORS 328.245. We noted no defaults in principal, interest, sinking fund or redemption provisions with respect to any of the District's liabilities and no breach of the bond agreements at June 30, 2006.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS (Continued)**

Page 2

BUDGET COMPLIANCE

The District appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2006, and the preparation and adoption of its budget for the year ending June 30, 2007, with the following exceptions:

- Expenditures exceeded appropriations as follows:

General Fund:	
Support Services	\$1,946,767
Special Revenue Fund:	
Enterprise & Community Services	\$225,705
Facilities Improvement II Fund:	
Support Services	\$28,000

At June 30, 2006, the BESC Cafeteria Fund had a deficit fund balance of \$130,232.

A description of the budgeting process is included in the notes to the basic financial statements.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2006. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering the District-owned property at June 30, 2006.

PUBLIC CONTRACTS

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

PROGRAMS FUNDED FROM OUTSIDE SOURCES

Our reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* and compliance with requirements applicable to each major program and internal control over compliance and other matters in accordance with OMB A-133 and the Schedule of Expenditures of Federal Awards are contained in a separate report dated November 16, 2006.

FINANCIAL REPORTING REQUIREMENTS

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

HIGHWAY FUNDS

The District does not receive revenue from taxes on motor vehicle fuel, therefore compliance with the legal requirements pertaining to highway funds is not applicable to the District.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS (Continued)**

Page 3

AVERAGE DAILY MEMBERSHIP

We have reviewed average daily membership information supplied to the State of Oregon Department of Education. Aside from the following exception, this data was in agreement with the District's records. The District did not accurately report teacher experience to the Oregon Department of Education for the year ended June 30, 2006.

* * * * *

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

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By Timothy R. Gillette
Timothy R. Gillette, Partner



4800 S.W. Macadam, Suite 400 • Portland, Oregon 97239-3973
503/274-2849 • Fax 503/274-2853

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

November 16, 2006

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

We have audited the financial statements of School District No. 1, Multnomah County, Oregon, (the District) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 16, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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 over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance

Compliance and Other Matters (Continued)

with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance and certain matters that we have reported to management of the District in a separate letter dated November 16, 2006.

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

Page 2

* * * * *

This report is intended solely for the information and use of the Board of Education, management, Federal awarding agencies, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Talbot, Kowala & Warwick LLP

Certified Public Accountants

Portland Public Schools Nondiscrimination Statement

Portland Public Schools recognizes the diversity and worth of all individuals and groups and their roles in society. All individuals and groups shall be treated with fairness in all activities, programs and operations, without regard to age, color, creed, disability, marital status, national origin, race, religion, sex, or sexual orientation.

Board of Education Policy 1.80.020-P

Contact Information for Civil Rights Matters

District Title VI & Title IX Contact:

Carolyn M. Leonard, Compliance Phone: 503-916-3183

District 504 Contact:

Carolyn M. Leonard, Compliance Phone: 503-916-3183

American Disabilities Act Contact:

Maureen Sloane, HR Legal Counsel Phone: 503-916-3025