

# **Financial Condition Multnomah County School Districts 2002**



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# **Financial Condition of Multnomah County Schools**

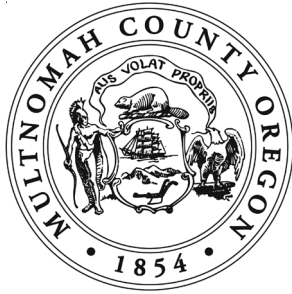
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Multnomah County**

**Gary Blackmer, Auditor  
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Attached is our first report on the school districts in Multnomah County. In our experience with the City of Portland and the County, we found that reporting financial condition has become an important tool for increasing financial accountability and improving decision-making. For this reason, we chose to report on each district's financial condition as a first step in fulfilling our commitment as part of the County tax measure.

This report is not about the adequacy of school funding, but about how school districts manage their funds. Included are graphs of revenues, expenditures, and other financial measures that can help educate the reader about school finances. However, this report does not necessarily trace disparities or trends back to their causes, because it is intended to be a broad diagnostic scan. These graphs are intended only to raise questions and improve the dialogue about the school financing choices that face policy makers. Many of our observations are based on data ending June 30, 2002. We anticipate significant changes as the next year's data is released. Our next report will include the new data.

We urge readers to be cautious in their interpretation of the numbers in this report. No single indicator is conclusive. Further, indicators are viewed from a financial perspective and are not necessarily measures of service quality. Our offices will use the information from this report, and our next report on school services and outcomes, to set priorities on areas for future audits. These audits will address the most important questions raised from these financial measures and make recommendations where appropriate.

We appreciate the assistance of the superintendents, business managers, and staff of all the school districts. We also wish to acknowledge the rich understanding they shared in our discussions with them about this information. Each district addressed its unique circumstances in a manner that indicates the capacity for sound financial management.

Suzanne Flynn  
Multnomah County Auditor

  
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Portland City Auditor

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## Table of Contents

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Financial Condition of K-12 Education in Multnomah County -----	1
Centennial School District -----	5
Corbett School District -----	15
David Douglas School District -----	25
Gresham-Barlow School District -----	35
Parkrose School District -----	45
Portland School District -----	55
Reynolds School District -----	65
Riverdale School District -----	75
Scope and Methodology -----	85
Responses -----	87
Portland Public Schools -----	89

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# The Financial Condition of K-12 Education in Multnomah County

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A school district's financial condition can affect the continuity and quality of student education. Sound financial condition allows a district to maintain adequate service levels, withstand economic disruption, and respond to growth, decline, and change. Over the last 10 years, control over district funding has shifted from local to state government, creating uncertainty about resources. To better adapt to this new environment, tracking a district's financial condition and addressing weaknesses is increasingly important.

It should be noted that any assessment of financial condition does not address the quality and level of services needed. A sound financial condition may not equate to a good education program. For example, it may be necessary to spend down reserves, not necessarily a sound financial practice, in order to maintain the quality of education. Our next report will address education services and outcomes.

Based upon the 18 indicators we reviewed about the districts, the financial condition of K-12 education in Multnomah County is relatively sound although some districts have declining fund balances and increased spending per student, which are potential warning trends. There are significant differences among districts in terms of student population, total staffing, geographical service area, and tax base. As a result, the individual financial indicators vary among the districts.

## Comparison of School Districts in Multnomah County

	Average Number of Students (ADMr) 2001-2002	Total Staff 2001-2002	Geographical area (square miles)	Assessed Property Value (in billions) 2001-2002
Centennial	6,055	582	21	\$1.50
Corbett	589	65	96	\$.23
David Douglas	8,253	856	12	\$2.10
Gresham-Barlow	11,286	977	54	\$4.30
Parkrose	3,526	358	15	\$2.50
Portland	48,152	5,749	146	\$28.00
Reynolds	9,547	990	27	\$3.40
Riverdale	454	56	2	\$.37

## Revenues

In Multnomah County operating revenues per student varied from \$6,593 to \$10,417 in 2001-2002 and in most cases have grown steadily in the last five years. It should be noted that 2002-2003 may change this trend. The variation among districts in 2001-2002 does not appear to be related to the size of student population in each district but most likely is the result of the state funding formula which provides additional revenues for students with special needs and for teacher experience. Two districts also have a local option levy approved by their voters.

In 1990, Measure 5 shifted responsibility for education funding from local to state government. In 1991 the Legislature adopted a formula to equalize school funding statewide providing about 70% of school operating revenues. Funding is now calculated on a per student basis with adjustments for local revenues received, students in special programs, and teacher experience. The formula also funds 70% of transportation costs and up to 8% of classroom construction costs which are added on to the operating revenues calculated by the formula. School districts may also ask voters to approve local option levies and capital improvement bonds that generate additional revenues.

## Spending

In most districts, expenditure per student adjusted for inflation from 1997-1998 to 2001-2002 increased, although at differing rates. The mix of spending for personnel, supplies, and capital is similar across school districts with only one variation – expenditure for purchased services. Salaries were the largest expenditure with most districts spending around 60%.

We also looked at the ratio of students per total staff in each district as a service level indicator. Staff to provide school programs are the primary expenditure for all of the districts. Several districts contract out for some services which can affect this ratio. Each district's ratio of students per total staff should be examined in context of its particular circumstance; however, we found differences such as:

- decreasing numbers of students and increasing total staff, causing a lower student to staff ratio
- decreasing numbers of both students and total staff, and an increasing ratio of students to staff
- increasing numbers of both students and total staff, but at the same rate so that the ratio remained the same

## Operating Position

With some exceptions, the levels of districts' unreserved fund balances seem healthy. However, in most cases the balances were declining and some districts had very low ending year balances. The size of a district's unreserved fund balances can affect its ability to withstand short-term financial emergencies or make capital purchases. Declining or low balances are a warning trend.



Debt	<p>Overall, the level of debt in each of the districts appears reasonable. Long-term debt is an effective way for districts to finance capital improvement projects such as new school buildings, renovations, or technology needs. Much of long term debt is approved by voters. While all districts have capital needs, districts with higher property values have incurred more debt.</p>
Community Needs	<p>Most districts have increasing numbers of students. The percent of students who are eligible for free or reduced price meals has also increased in most districts. The rate of free and reduced price meals is a proxy measure for poverty in the community served by the district. A few districts have had significant increases in students eligible for free and reduced lunches indicating an important change in student needs.</p>

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## Trends

## Centennial School District

### Strengths

- Steady growth in revenues per student
- Revenue forecasting
- Debt issued for needed school improvements
- Increasing unreserved fund balances
- Moderate growth in assessed property values

### Challenges

- Low assessed values per student
- Spending increased faster than inflation and growth in student population

## Background

### History

Centennial School District was formed in 1976 with the merger of Lynch and Pleasant Valley School Districts, and the assumption of Gresham's Centennial High School.

### Operations

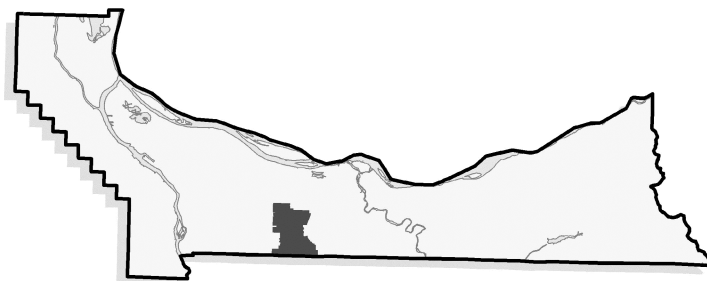
The seven directors who serve without compensation are elected at large to four-year terms. Education programs are conducted in six elementary schools, one middle school, one high school and one alternative school.

### Financial

In November 2000, the District passed a \$31 million bond measure to expand and remodel Centennial High School and construct Butler Creek Elementary school, the District's first new school construction since 1974.

### Location

Centennial School District boundaries encompass a 21 square mile area. An estimated population of 34,000 is served by the District in the cities of Gresham and Portland, unincorporated areas of the county, and a portion of Clackamas County.



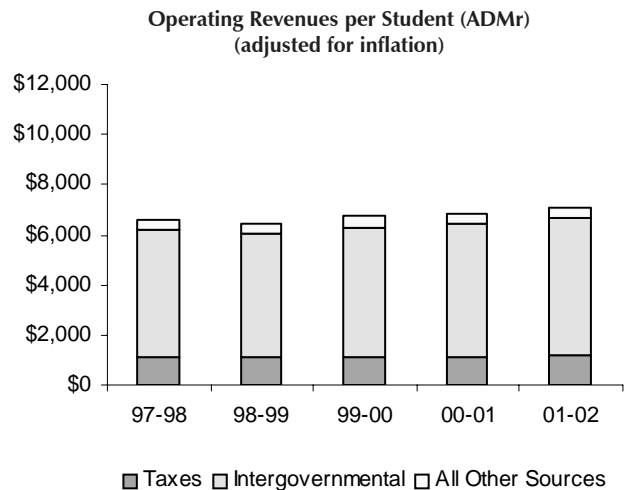
Revenues determine the capacity of the District to provide services. These indicators include only operating revenues, which consist of the District's general fund and special revenue funds. Debt service funds which include property taxes levied for repayment of general obligation bonds are not included, nor are loans or bond proceeds included. The five indicators included in this report are:

- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surpluses or Shortfalls

### Operating Revenues per Student

When adjusted for inflation, total operating revenues have increased 14% from \$37 to \$43 million. This increase was 6% on a per student basis from \$6,613 to \$7,039.

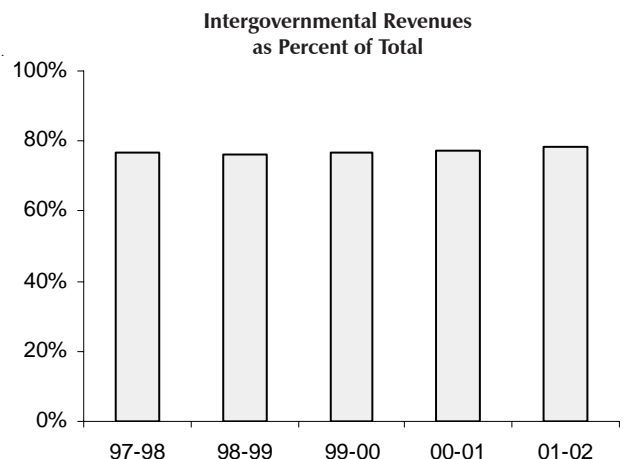
In SY01-02 revenues from taxes for operations made up 16% of the total, from intergovernmental sources 78%, and other sources 5%.



### Intergovernmental Revenues

Intergovernmental revenues show the District's dependence on resources from state or federal governments. For Oregon schools the state support which replaced the property tax based system is a significant part of operating revenues.

In SY01-02 intergovernmental revenues made up 78% of the District's operating revenues; 93% of this amount was from state sources and 7% from various other governmental grants.

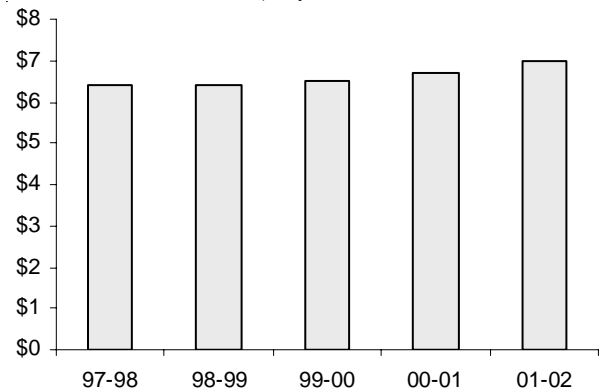


## Tax Revenues for Operations

Although property taxes are no longer the major funding source for schools, they do represent a large portion of operating revenues.

Property taxes for the District's operations increased 9% when adjusted for inflation. This increase is caused by an increase in property valuation as property tax rates for operations have not changed over the last five years. Tax revenues for general obligation bond debt repayment are not included.

**Tax Revenues for Operations**  
(In millions, adjusted for inflation)

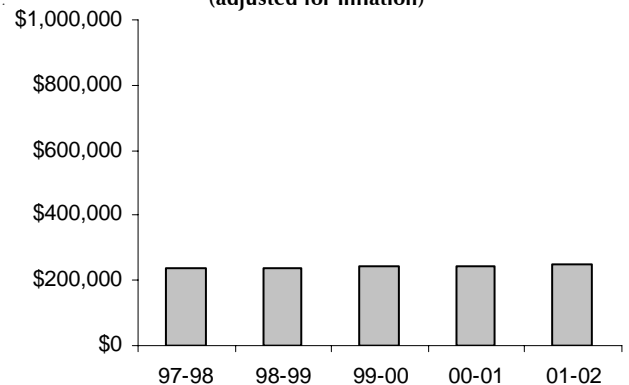


## Assessed Property Values per Student

The assessed property values represent the ability of the District to support the needs of its schools. This is one indicator of affordability to the taxpayer of levies and construction bonds.

The total assessed property values for the District were approximately \$1.5 billion in SY01-02. The assessed value per student has increased 5% from \$238,000 to \$250,000.

**Assessed Property Value per Student (ADMr)**  
(adjusted for inflation)

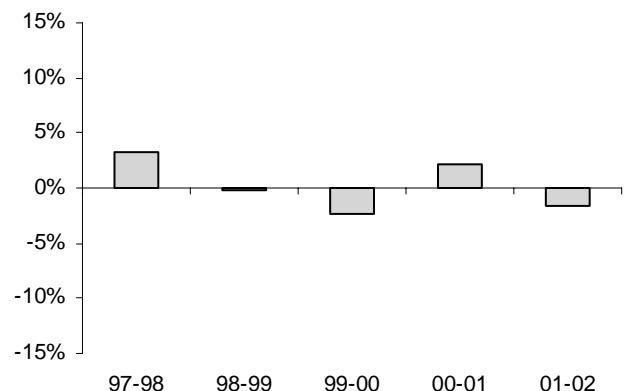


## General Fund Revenue Forecasting

This indicator examines the differences between budgeted revenue estimates and revenues actually received for the District's general fund.

Budgeting state school support is extremely difficult for schools in Oregon; the District's budgeted surplus in the general fund was 3% in SY97-98 and -2% in SY01-02.

**General Fund Revenue Surpluses or Shortfalls**  
as Percent of Revenues



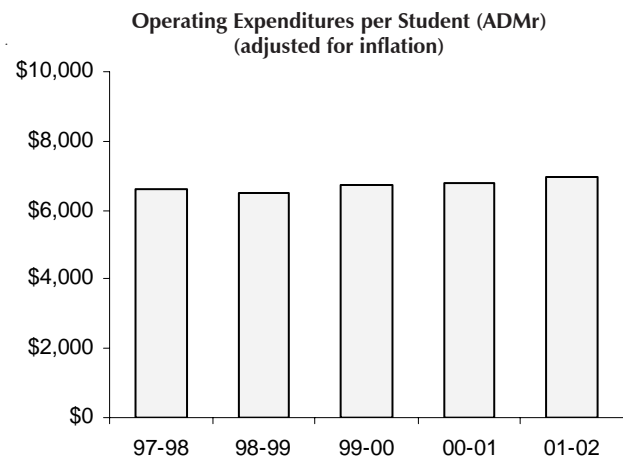
Expenditures are a rough measure of a local government's service output. Because Oregon governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will create a long-run imbalance. Some of the more common ways are to borrow or use reserves. Other ways are to defer maintenance of assets or defer funding a future liability such as a pension plan. Operating expenditures include the general fund and special revenue funds; and do not include funds for repayment of long-term debt or for capital projects. Expenditure indicators are:

- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

### Operating Expenditures per Student

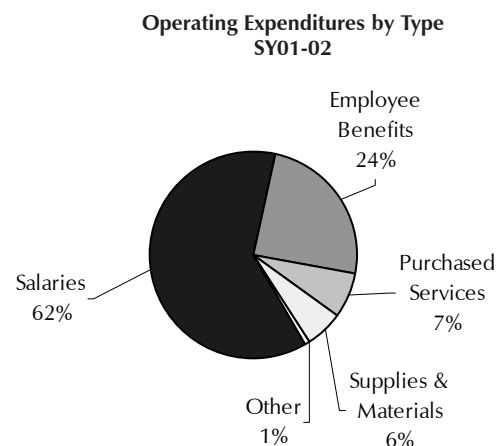
Expenditures per student reflects both changes in expenditures and in student populations.

Total operating expenditures increased 12% when adjusted for inflation. However, operating expenditures per student only increased 5% from \$6,613 to \$6,955 during this time due to an increase in the total number of students.



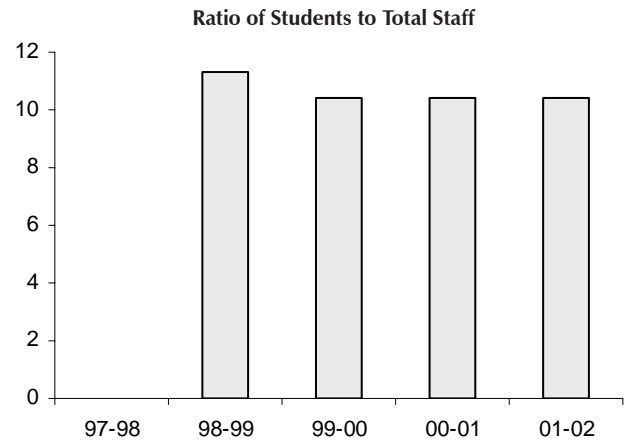
### Operating Expenditures by Type

Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, pension costs. Purchased services generally are for things such as professional services; and supplies and materials include items such as paper, instructional materials and textbooks.



## Ratio of Students to Total Staff

Ratio of students to total staff decreased; with a ratio of 11.3 students to 1 staff in SY98-99 and 10.4 students to 1 staff in SY01-02. Total staff increased by 14.1%



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and education assistants are included in Classroom Instruction.
- Student/Classroom Support are staff who provide services directly for students such as counseling, treatment, speech, and health services; staff who work in extracurricular activities, staff who work in libraries, and staff who work on improving the quality of classroom instruction or developing teacher skills.
- Staff who work at managing or supporting the operation of a particular school are included in Individual School Administration.
- Individual School Support includes staff who work in services that keep individual school buildings operating and functional such as maintaining the school building, transportation, technology, and food services.
- Central Support and Administration include the Board of Education, Superintendent's Office, business, fiscal, and information services, and planning and research.

Number of staff:	SY97-98	SY98-99	SY99-00	SY00-01	SY01-02
Classroom Instruction*		297.7	348.6	342.9	364.8
Student/Classroom Support		72.7	50.2	56.1	53.7
Individual School Administration		23.4	27.3	27.8	27.8
Individual School Support		85.6	98.0	93.7	93.7
Central Support & Administration		31.0	37.1	42.3	42.3
Total Staffing		510.4	561.2	569.4	582.3

\*Includes teachers and educational assistants

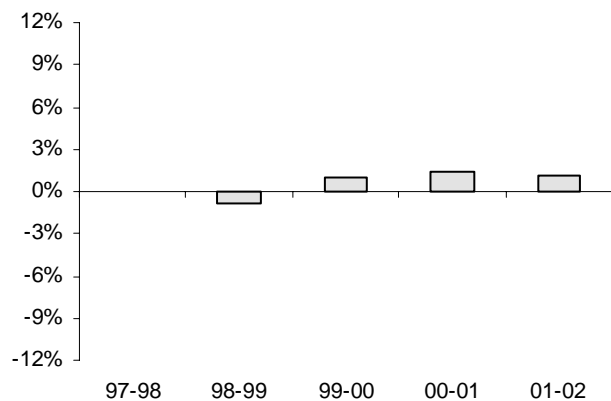
Operating position indicators measure the ability of a district to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating position:

- Operating Surplus or Deficit
- Unreserved Fund Balances

### Operating Surplus or Deficit

Operating surplus or deficit is the difference between revenues and expenditures. Surpluses may be caused by unexpected revenue increases, transfers from non-operating funds, or budgeted to increase reserves. Deficits may occur if revenues are less than expected or when reserves or transfers from non-operating funds are used to maintain current operations.

Operating Surplus or Deficit  
as a Percent of Revenues

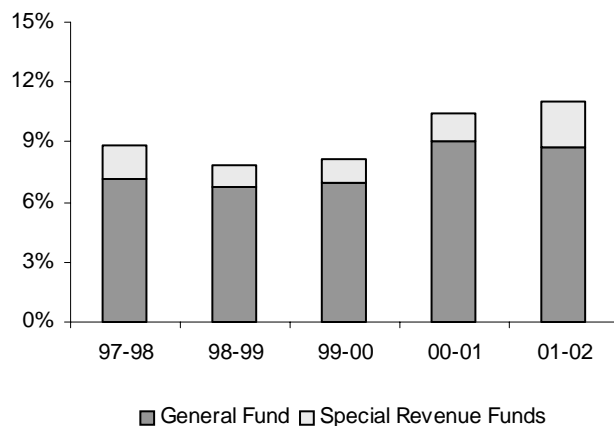


### Unreserved Fund Balances

The size of a district's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow.

The unreserved operating fund balances have increased over the last five years.

Unreserved Fund Balances  
as Percent of Revenues





Debt is an effective way to finance capital improvements and to even out short-term revenue flows. Districts often use Tax Anticipation Notes for short-term financing. These are generally repaid by the end of the fiscal year. The most common forms of long-term debt are general obligation bonds, Certificates of Participation, or revenue bonds. Under the most favorable circumstances, a local government's debt is proportional in size and rate of growth to its tax base; does not extend past the useful life of the facilities that it finances; is not used to balance the operating budget; does not require repayment schedules that put excessive burdens on operating expenditures; and is not so high as to jeopardize the government's credit rating. Debt indicators are:

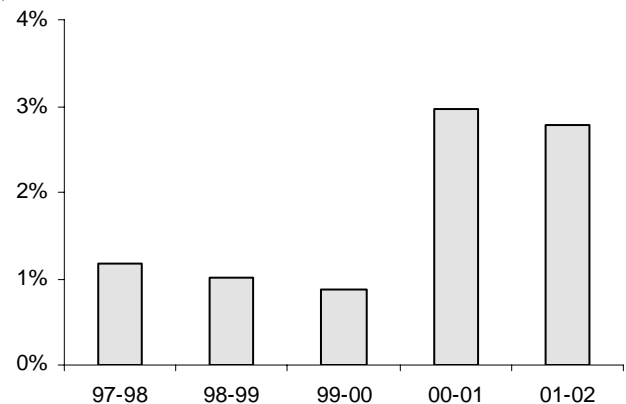
- Long-Term Debt
- Debt Service per Student

### Long-Term Debt

Long-term debt as a percentage of assessed property values reflects the ability of the district tax base to cover debt. Debt repayments for general obligation bonds are approved by voters and are outside the property tax limitations.

All of the District's long-term debt is in voter approved general obligation bonds. The District has maintained a ratio under 3% over the last five years with the ratio increasing from 1.2% to 2.8% due to a bond sale of \$31 million for school improvements and repairs in February 2001.

**Total Long-term Debt  
as Percent of Assessed Value**

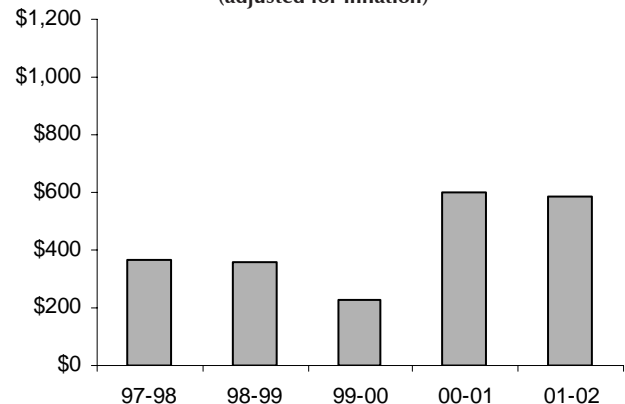


### Debt Service per Student

Debt service represents the annual payments of interest and principal on long-term debt. Most of the long-term debt service is funded from voter approved general obligation debt levies, which are non-operating revenue sources. Long-term debt is generally for new school buildings, needed renovations or technology and equipment needs.

Debt service per student increased 61% from \$364 to \$585 with a \$31 million sale of general obligation bonds for school improvements and repairs.

**Debt Service per Student(ADMr)  
(adjusted for inflation)**



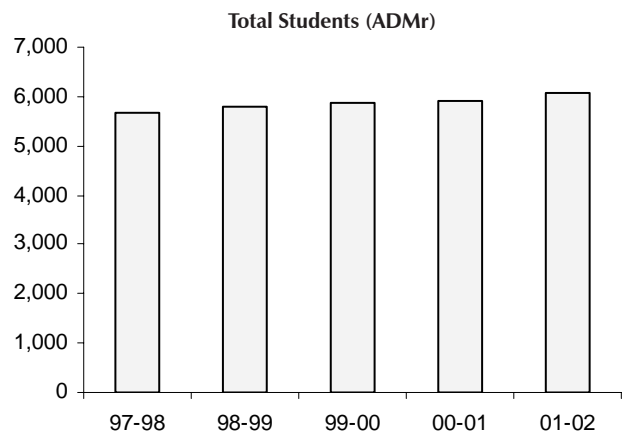
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community needs and resources are difficult to translate into indicators because the data are not easy to gather. The indicators shown here represent only those for which some data were reasonably available. These are:

- Number of Students
- Percent of Students Eligible for Free or Reduced Price Lunches
- Property Values
- Unemployment and Business Activity

### Number of Students

For schools a rapid increase in average number of students has a direct affect on the district's ability to provide adequate services.

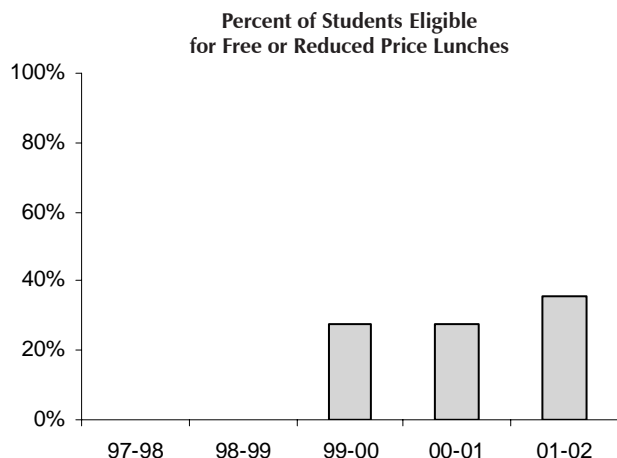
The District has grown 7% in the average number of students over the last five years from 5,664 to 6,055.



### Percent of Students Eligible for Free or Reduced Price Lunches

Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.

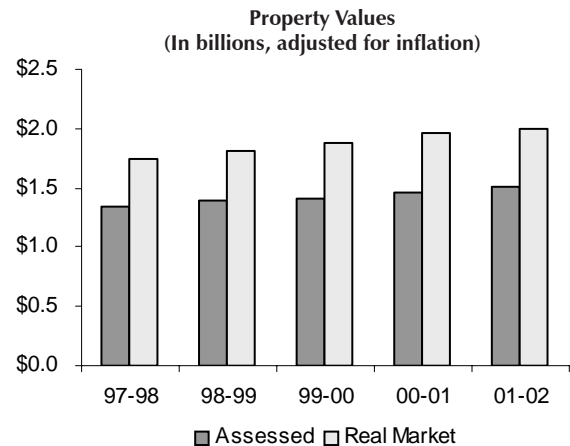
The percentage of students eligible for free or reduced price lunches has been increasing.



## Property Values

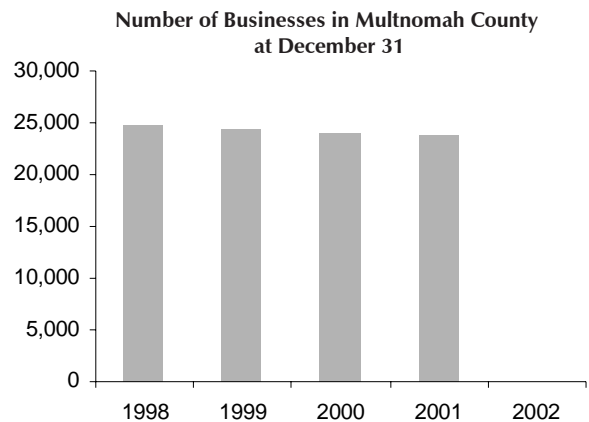
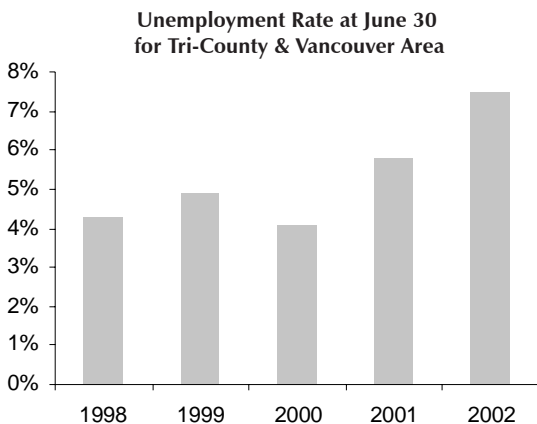
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of the economic growth and health of the District.

The total property value in the District has increased 12% for assessed value and 14% for real market value when adjusted for inflation.



## Unemployment and Business Activity

The unemployment rate and number of business are two of a number of economic indicators for an area. For the Portland Metropolitan area the unemployment rate has continued to grow; and the numbers of businesses has declined. The financial health of the district is dependent on the economic health of both the local area and the state as a whole. The economic decline in Oregon has had an impact on school funding and the ability of taxpayers to relieve the declining revenues.



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## Trends

## Corbett School District

### Strengths

- Revenue forecasting
- Decreased staff in relation to declining student population
- Debt issued for needed school improvements
- Moderate growth in assessed property values

### Challenges

- Spending increased faster than inflation and growth in student population
- Declining number of students

## Background

### History

The original Corbett School building was built in the 1920's. The District expanded over the years due to mergers and consolidations of other area school districts, including the Bonneville School District in July 1996.

### Operations

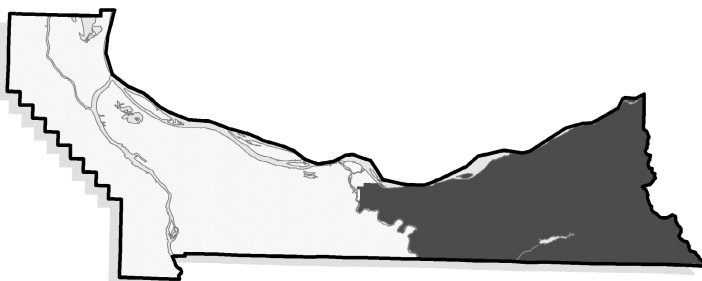
The seven directors who serve without compensation, are elected at large to four-year terms. Education programs are conducted in one elementary school, one middle school and one high school.

### Financial

Corbett School District issued certificates of participation for renovation projects for \$215,000 in May, 1999 and for \$250,000 in May, 2001.

### Location

Corbett School District boundaries encompass approximately 96 square miles. The District serves the unincorporated areas of east county.



Revenues determine the capacity of the District to provide services. These indicators include only operating revenues, which consist of the District's general fund and special revenue funds. Debt service funds which include property taxes levied for repayment of general obligation bonds are not included, nor are loans or bond proceeds included. The five indicators included in this report are:

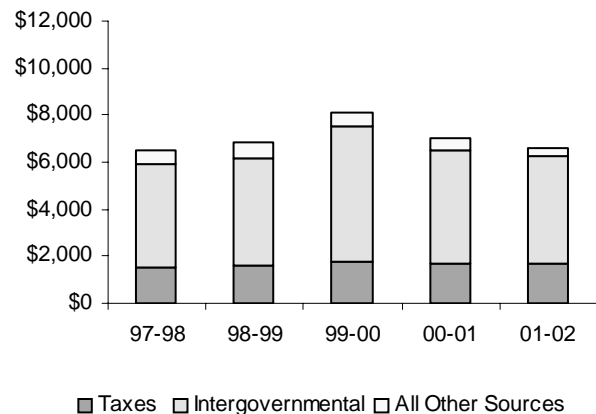
- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surpluses or Shortfalls

## Operating Revenues per Student

Operating revenues per student have increased 1% from \$6,523 to \$6,593. When adjusted for inflation, total operating revenues have decreased 13% from \$4.5 million to \$3.9 million.

In SY01-02 revenues from taxes for operations made up 26% of the total, from intergovernmental sources 69%, and other sources 5%.

Operating Revenues per Student (ADMr)  
(adjusted for inflation)

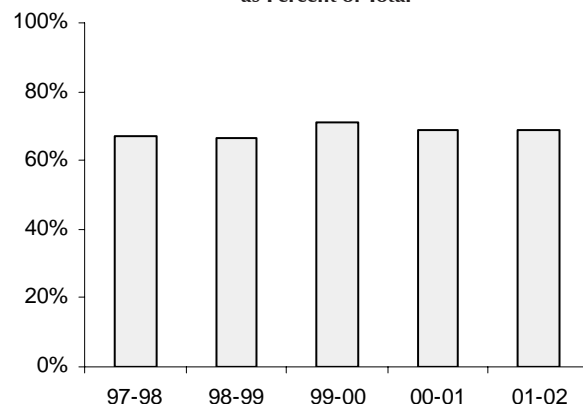


## Intergovernmental Revenues

Intergovernmental revenues show the District's dependence on resources from state or federal governments. For Oregon schools the state support which replaced the property tax based system is a significant part of operating revenues.

In SY01-02 intergovernmental revenues made up 69% of the District's operating revenues; 94% of this amount was from state sources and 6% from various other governmental grants.

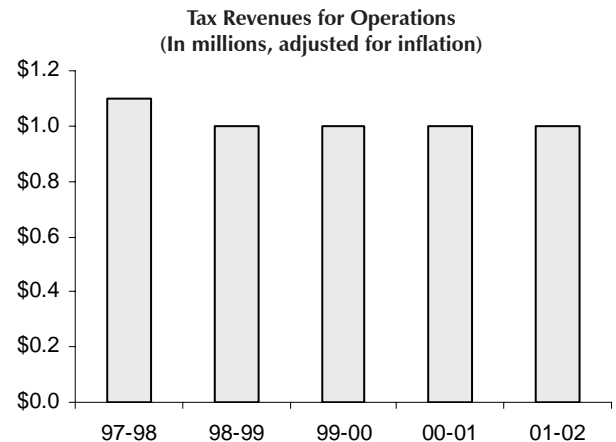
Intergovernmental Revenues  
as Percent of Total



## Tax Revenues for Operations

Although property taxes are no longer the major funding source for schools, they do represent a large portion of operating revenues. Tax revenues for operations do not include voter approved property taxes dedicated to repayment of general obligation bonds.

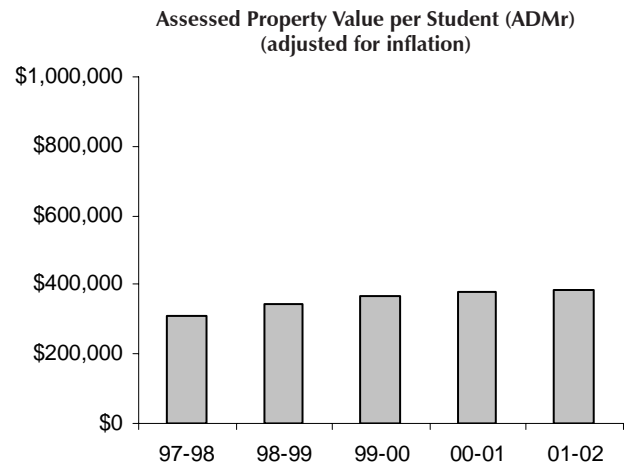
Property taxes for the District's operations decreased 6% when adjusted for inflation. Tax revenues for general obligation bond debt repayment are not included.



## Assessed Property Values per Student

The assessed property values represent the ability of the District to support the needs of its schools. This is one indicator of affordability to the taxpayer of levies and construction bonds.

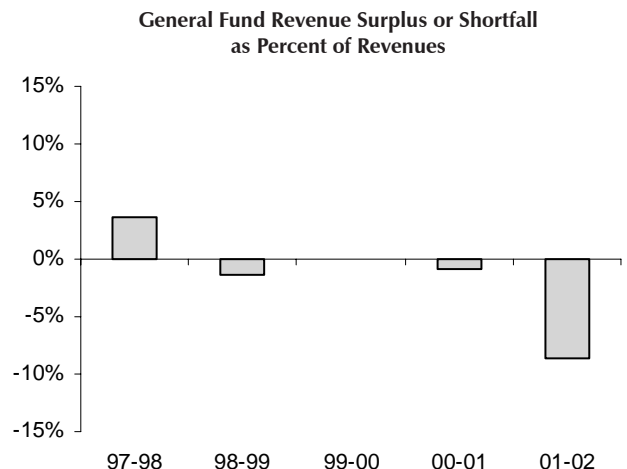
The total assessed property values for the District were approximately \$228 million in SY01-02. The assessed value per student has increased 24% from \$311,000 to \$387,000.



## General Fund Revenue Forecasting

This indicator examines the differences between budgeted revenue estimates and revenues actually received during for the District's general fund.

Budgeting state school support is extremely difficult for schools in Oregon; the district's budgeted surplus in the general fund has been low for four out of five years. The shortfall in SY01-02 was due to a budget error made by the State which was not corrected until the District's budget had been legally approved.



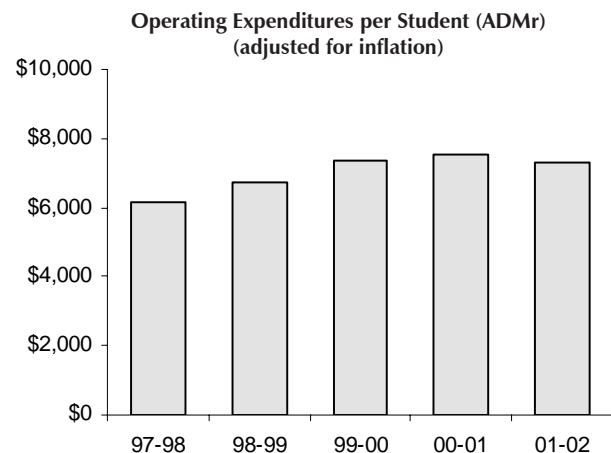
Expenditures are a rough measure of a local government's service output. Because Oregon governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will create a long-run imbalance. Some of the more common ways are to borrow or use reserves. Other ways are to defer maintenance of assets or defer funding a future liability such as a pension plan. Operating expenditures include the general fund and special revenue funds; and do not include funds for repayment of long-term debt or for capital projects. Expenditure indicators include:

- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

### Operating Expenditures per Student

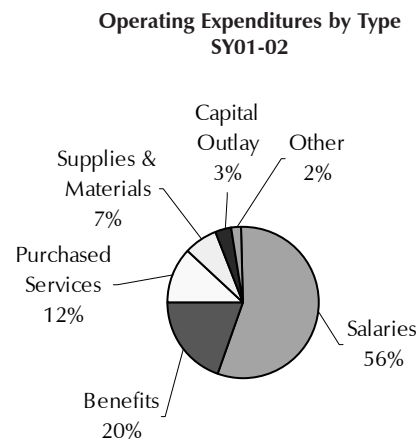
Expenditures per student reflects both changes in expenditures and in student populations.

Total operating expenditures increased 2% when adjusted for inflation. However, operating expenditures per student increased 19% from \$6,165 to \$7,325. Most of this increase is due to declining student populations.



### Operating Expenditures by Type

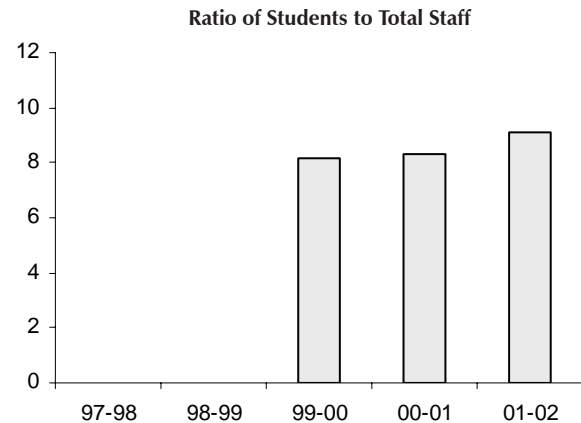
Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, pension costs. Purchased services generally are for things such as professional services; and supplies and materials include items such as paper, instructional materials and textbooks.





## Ratio of Students to Total Staff

Ratio of students to total staff has increased from 8.2 students to 1 staff in SY99-00 to 9.1 students to 1 staff in SY01-02. Both staff and total number of students have decreased over the last four years. Total staff decreased by 9.7%



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and education assistants are included in Classroom Instruction.
- Student/Classroom Support are staff who provide services directly for students such as counseling, treatment, speech, and health services; staff who work in extracurricular activities, staff who work in libraries, and staff who work on improving the quality of classroom instruction or developing teacher skills.
- Staff who work at managing or supporting the operation of a particular school are included in Individual School Administration.
- Individual School Support includes staff who work in services that keep individual school buildings operating and functional such as maintaining the school building, transportation, technology, and food services.
- Central Support and Administration include the Board of Education, Superintendent's Office, business, fiscal, and information services, and planning and research.

Number of staff:	SY97-98	SY98-99	SY99-00	SY00-01	SY01-02
Classroom Instruction*			42.4	43.5	38.0
Student/Classroom Support			5.0	3.4	2.5
Individual School Administration			5.5	5.2	3.3
Individual School Support			15.6	15.4	16.8
Central Support & Administration			3.5	3.9	4.5
Total Staffing			71.4	65.0	65.0

\*Includes teachers and educational assistants

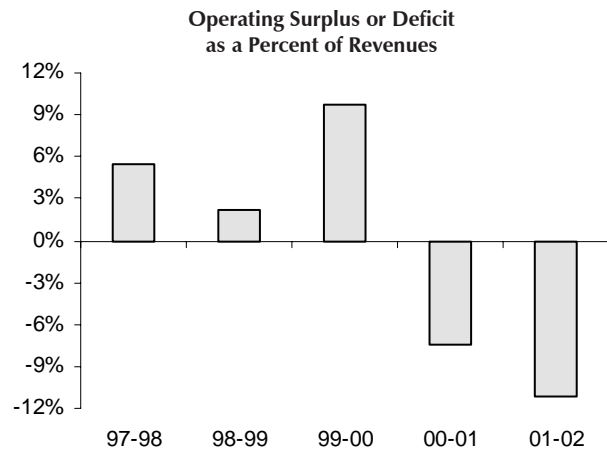
Operating position indicators measure the ability of a district to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating position:

- Operating Surplus or Deficit
- Unreserved Fund Balances

### Operating Surplus or Deficit

Operating surplus or deficit is the difference between revenues and expenditures. Surpluses may be caused by unexpected revenue increases, transfers from non-operating funds, or budgeted to increase reserves. Deficits may occur if revenues are less than expected or when reserves or transfers from non-operating funds are used to maintain current operations.

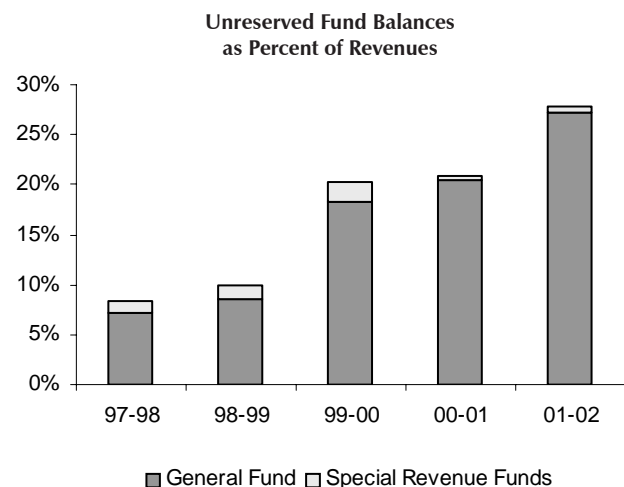
The District's operating surpluses or deficits have fluctuated over the last five years. The deficits in operating revenues SY00-01 and SY01-02 were offset by loan proceeds and insurance proceeds for loss of assets.



### Unreserved Fund Balances

The size of a district's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow.

The unreserved operating fund balances have been increasing primarily from loan proceeds for capital improvements which are accounted for in the general fund and have not yet been spent.



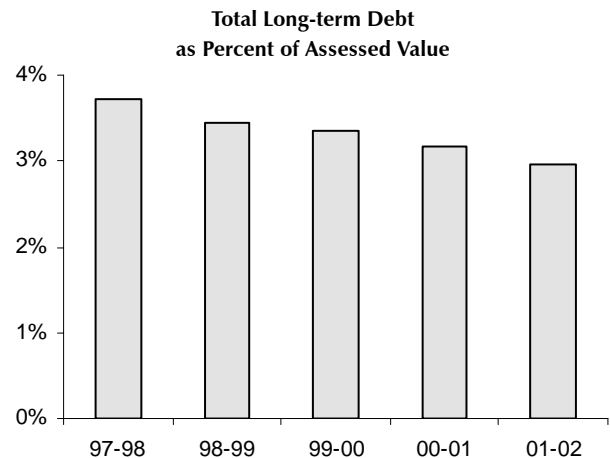
Debt is an effective way to finance capital improvements and to even out short-term revenue flows. Districts often use Tax Anticipation Notes for short-term financing. These are generally repaid by the end of the fiscal year. The most common forms of long-term debt are general obligation bonds, Certificates of Participation, or revenue bonds. Under the most favorable circumstances, a local government's debt is proportional in size and rate of growth to its tax base; does not extend past the useful life of the facilities that it finances; is not used to balance the operating budget; does not require repayment schedules that put excessive burdens on operating expenditures; and is not so high as to jeopardize the government's credit rating. Debt indicators are:

- Long-Term Debt
- Debt Service per Student

## Long-Term Debt

Long-term debt as a percentage of assessed property values reflects the ability of the district tax base to cover debt. Debt repayments for general obligation bonds are approved by voters and are outside the property tax limitations.

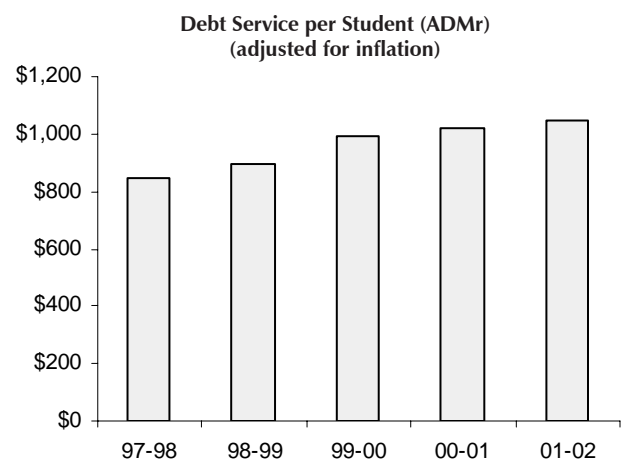
All of the District's long-term debt is in voter approved general obligation bonds. The District has maintained a ratio under 4% over the last five years with the ratio decreasing to 3% in SY02.



## Debt Service per Student

Debt service represents the annual payments of interest and principal on long-term debt. Most of the long-term debt service is funded from voter approved general obligation debt levies, which are non-operating revenue sources. Long-term debt is generally for new school buildings or needed renovations or technology and equipment needs.

Debt service per student has increased 24% from \$844 to \$1,049.



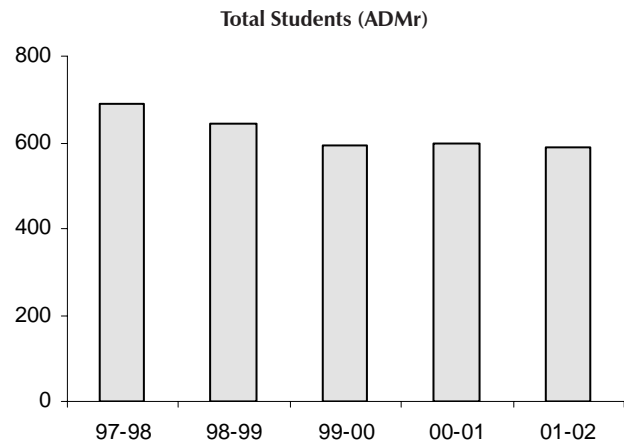
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community needs and resources are difficult to translate into indicators because the data are not easy to gather. The indicators shown here represent only those for which some data were reasonably available. These are:

- Number of Students
- Percent of Students Eligible for Free or Reduced Price Lunches
- Property Values
- Unemployment and Business Activity

### Number of Students

For schools a rapid increase in average number of students has a direct affect on the district's ability to provide adequate services.

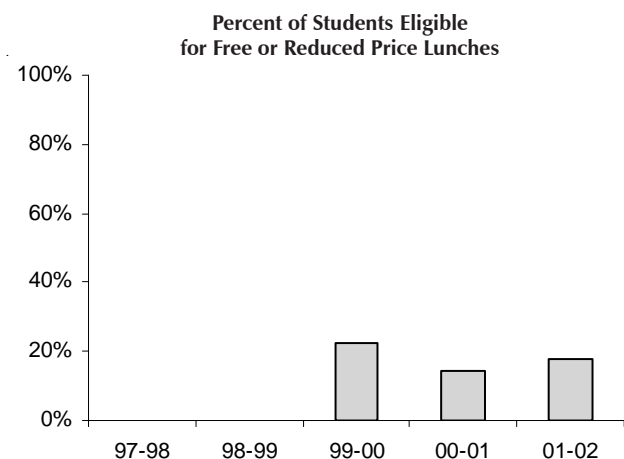
The District has seen a 14% decline in the average number of students over the last five years from 688 to 589.



### Percent of Students Eligible for Free or Reduced Price Lunches

Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.

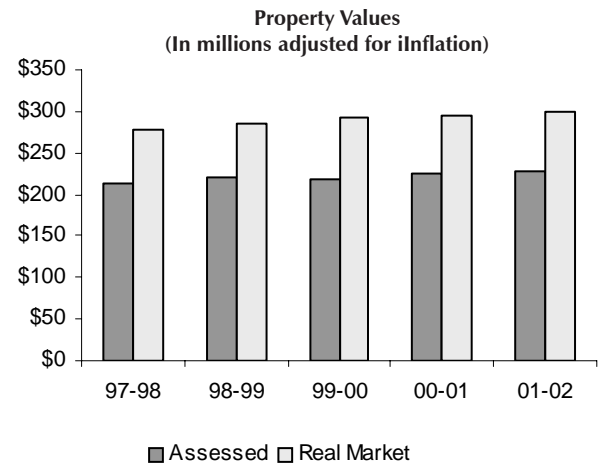
Some of the fluctuation in the percent of students eligible for free or reduced price lunches may be due to the declining numbers of students.



## Property Values

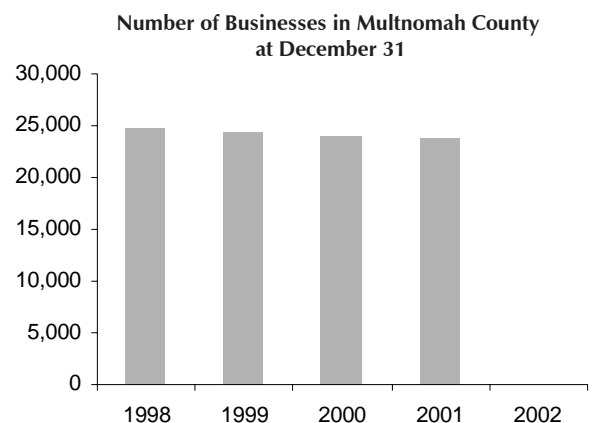
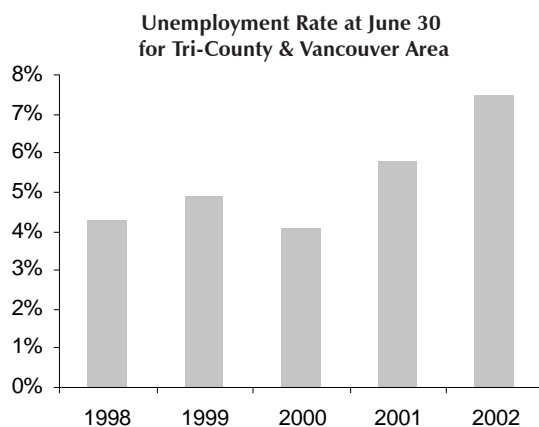
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of the economic growth and health of the District.

The total property value in the District has increased by 7% for assessed value and 8% for real market value when adjusted for inflation.



## Unemployment and Business Activity

The unemployment rate and number of business are two of a number of economic indicators for an area. For the Portland Metropolitan area the unemployment rate has continued to grow; and the numbers of businesses has declined. The financial health of the district is dependent on the economic health of both the local area and the state as a whole. The economic decline in Oregon has had an impact on school funding and the ability of taxpayers to relieve the declining revenues.



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## Trends

## David Douglas School District

### Strengths

- Steady growth in revenues per student
- Increasing unreserved fund balances
- Debt issued for needed school improvements
- Moderate growth in assessed property values

### Challenges

- Low assessed property values per student
- Spending increased faster than inflation and growth in student populations
- Large increase in number of students

## Background

### History

David Douglas School District was established with the merger of the Powellhurst, Russellville, Gilbert and David Douglas Union High School Districts.

### Operations

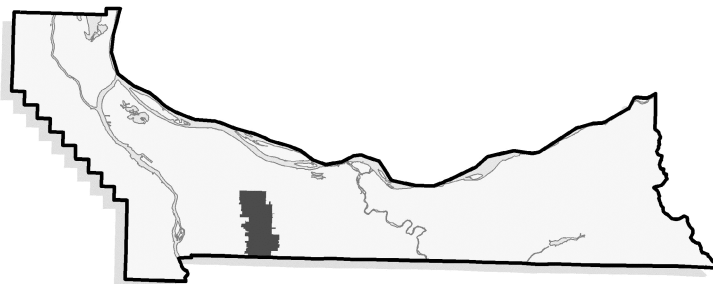
The seven directors, who serve without compensation, are elected at large to four-year terms. Education programs are conducted in nine elementary schools, two intermediate schools, one high school, one alternative school and six support facilities.

### Financial

In July 1999 the District incurred \$670,000 debt as a note for sewer assessment refunding. The District also purchased busses in 1999, 2000, and 2001. In November 2000 the District passed a \$39.9 million bond measure to expand and improve facilities.

### Location

David Douglas School District boundaries encompass a 12 square mile area. An estimated population of 51,155 is served by the District in the City of Portland.



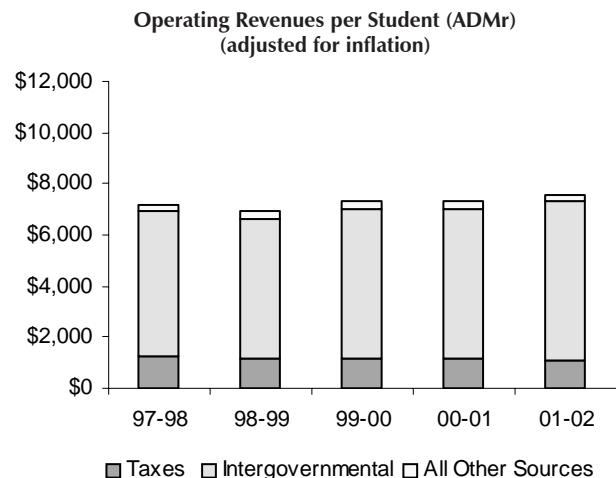
Revenues determine the capacity of the District to provide services. These indicators include only operating revenues, which consist of the District's general fund and special revenue funds. Debt service funds which include property taxes levied for repayment of general obligation bonds are not included, nor are loans or bond proceeds included. The five indicators included in this report are:

- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surplus or Shortfall

### Operating Revenues per Student

When adjusted for inflation, total operating revenues have increased 19% from \$52.3 million to \$62.5 million. However, operating revenues per student has only increased 5% from \$7,208 to \$7,543.

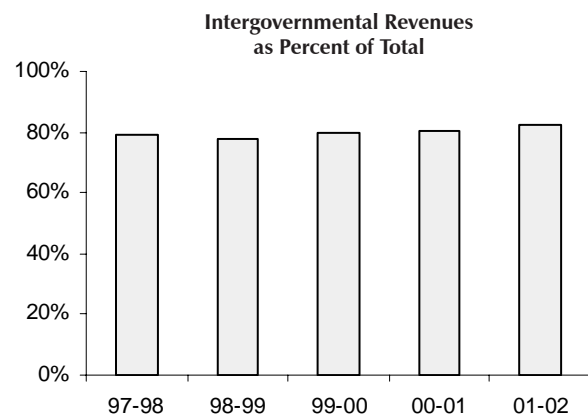
In SY01-02 revenues from taxes for operations made up 15% of the total, from intergovernmental sources 82%, and other sources 3%.



### Intergovernmental Revenues

Intergovernmental revenues show the District's dependence on resources from state or federal governments. For Oregon schools the state support which replaced the property tax based system is a significant part of operating revenues.

In SY01-02 intergovernmental revenues made up 82% of the District's operating revenues; 89% of this amount was from state sources and 11% from various other governmental grants.

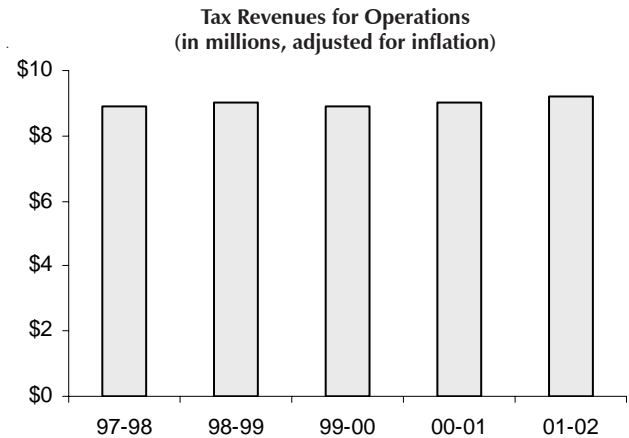




## Tax Revenues for Operations

Although property taxes are no longer the major funding source for schools, they do represent a large portion of operating revenues. Tax revenues for operations do not include voter approved property taxes dedicated to repayment of general obligation bonds.

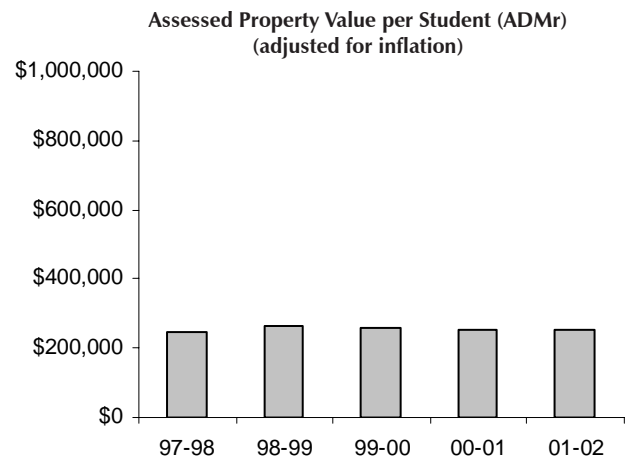
Property taxes for the District's operations increased 4% when adjusted for inflation. This increase is caused by an increase in property valuation as property tax rates for operations have not changed over the last five years. Tax revenues for general obligation bond debt repayment are not included.



## Assessed Property Values per Student

The assessed property values represent the ability of the District to support the needs of its schools. This is one indicator of affordability to the taxpayer of levies and construction bonds.

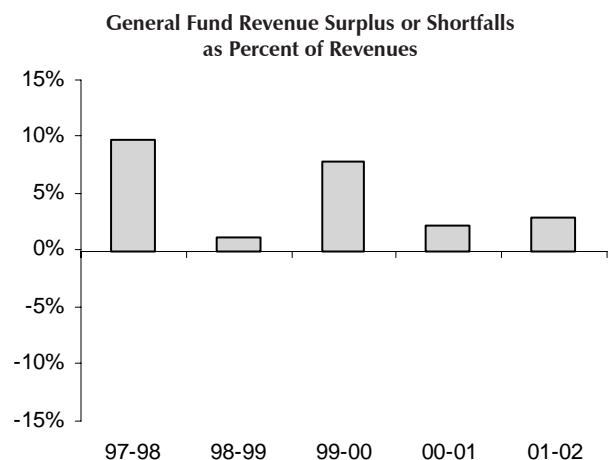
The total assessed property values for the District was approximately \$2.1 billion in SY01-02. The assessed value per student has increased 3% from \$244,486 to \$251,748.



## General Fund Revenue Forecasting

This indicator examines the differences between budgeted revenue estimates and revenues actually received for the district's general fund.

Budgeting state school support is extremely difficult for schools in Oregon; the district's budgeted surplus in the general fund was 10% in SY97-98 and 3% in SY01-02.



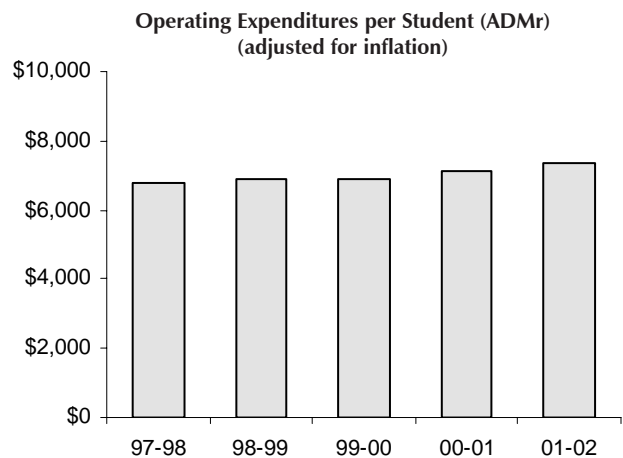
Expenditures are a rough measure of a local government's service output. Because Oregon governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will create a long-run imbalance. Some of the more common ways are to borrow or use reserves. Other ways are to defer maintenance of assets or defer funding a future liability such as a pension plan. Operating expenditures include the general fund and special revenue funds; and do not include funds for repayment of long-term debt or for capital projects. Expenditure indicators are:

- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

### Operating Expenditures per Student

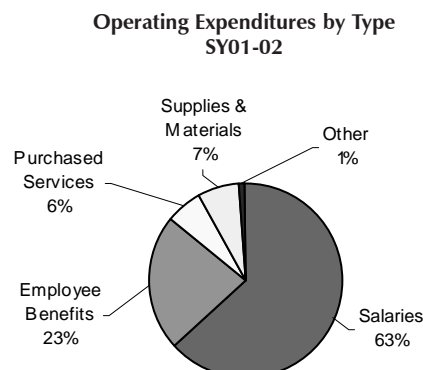
Expenditures per student reflects both changes in expenditures and in student populations.

Total operating expenditures increased 23% when adjusted for inflation. However, expenditures per student only increased 8% from \$6,785 to \$7,334. Management stated that a significant increase in students who didn't speak English as a first language caused spending to increase.



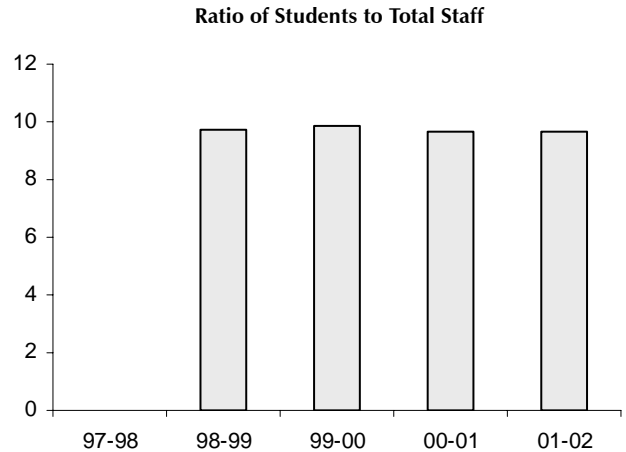
### Operating Expenditures by Type

Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, pension costs. Purchased services generally are for things such as professional services; and supplies and materials include items such as paper, instructional materials and textbooks.



## Ratio of Students to Total Staff

The ratio of students to total staff has remained fairly constant over the last four years at 9.8 students to 1 staff in SY98-99 and 9.6 students to 1 staff in SY01-02. Total staffing increased 12.2%.



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and education assistants are included in Classroom Instruction.
- Student/Classroom Support are staff who provide services directly for students such as counseling, treatment, speech, and health services; staff who work in extracurricular activities, staff who work in libraries, and staff who work on improving the quality of classroom instruction or developing teacher skills.
- Staff who work at managing or supporting the operation of a particular school are included in Individual School Administration.
- Individual School Support includes staff who work in services that keep individual school buildings operating and functional such as maintaining the school building, transportation, technology, and food services.
- Central Support and Administration include the Board of Education, Superintendent's Office, business, fiscal, and information services, and planning and research.

Number of staff:	SY97-98	SY98-99	SY99-00	SY00-01	SY01-02
Classroom Instruction*		466.0	473.7	505.4	531.2
Student/Classroom Support		63.9	63.9	63.4	63.1
Individual School Administration		50.1	50.9	51.5	53.1
Individual School Support		159.6	171.3	180.8	183.5
Central Support & Administration		23.4	23.2	24.9	25.1
Total Staffing		763.0	783.0	826.0	856.0

\*Includes teachers and educational assistants

## Operating Position

## David Douglas School District

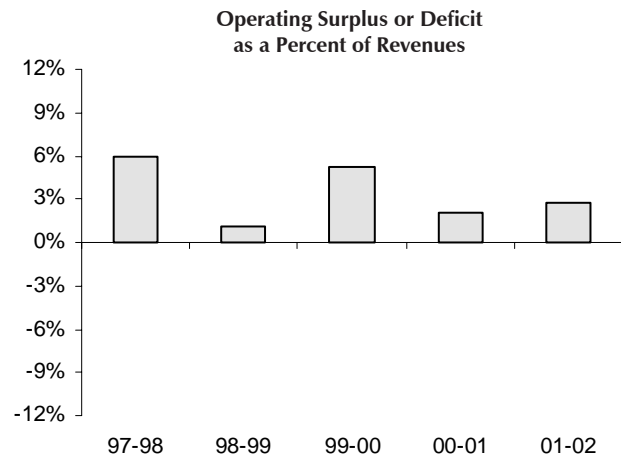
Operating position indicators measure the ability of a District to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating position:

- Operating Surplus or Deficit
- Unreserved Fund Balances

### Operating Surplus or Deficit

Operating surplus or deficit is the difference between revenues and expenditures. Surpluses may be caused by unexpected revenue increases, transfers from non-operating funds, or budgeted to increase reserves. Deficits may occur if revenues are less than expected or when reserves or transfers from non-operating funds are used to maintain current operations.

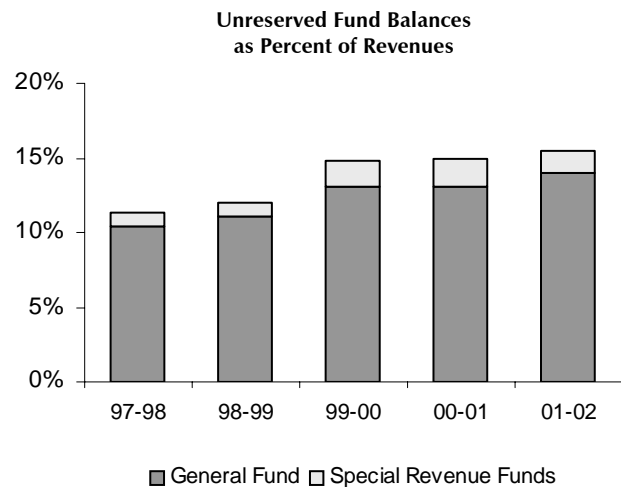
The District's operating surpluses or deficits have been under 6%.



### Unreserved Fund Balances

The size of a district's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow.

The unreserved operating fund balances have been increasing over the last five years.



Debt is an effective way to finance capital improvements and to even out short-term revenue flows. Districts often use Tax Anticipation Notes for short-term financing. These are generally repaid by the end of the fiscal year. The most common forms of long-term debt are general obligation bonds, Certificates of Participation, or revenue bonds. Under the most favorable circumstances, a local government's debt is proportional in size and rate of growth to its tax base; does not extend past the useful life of the facilities that it finances; is not used to balance the operating budget; does not require repayment schedules that put excessive burdens on operating expenditures; and is not so high as to jeopardize the government's credit rating. Debt indicators are:

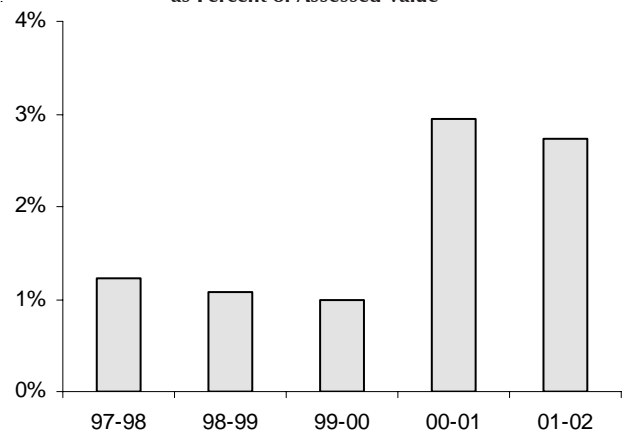
- Long-Term Debt
- Debt Service per Student

### Long-Term Debt

Long-term debt as a percentage of assessed property values reflects the ability of the district tax base to cover debt. Debt repayments for general obligation bonds are approved by voters and are outside the property tax limitations.

Most of the District's long-term debt is in voter approved general obligation bonds. The District's long-term debt increased from 1.2% to 2.7% with the issue of general obligation bonds for \$39.9 million for school facilities and equipment.

Total Long-term Debt  
as Percent of Assessed Value

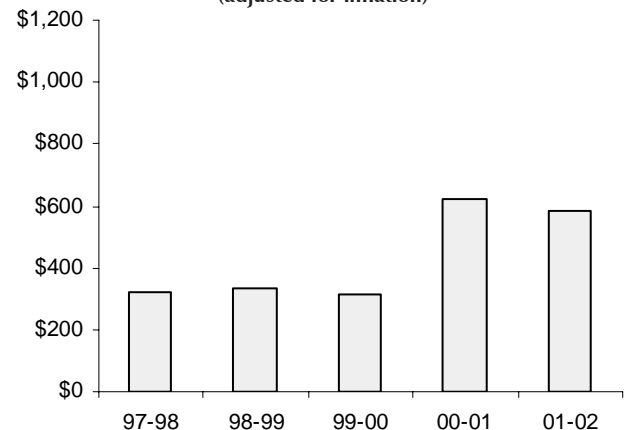


### Debt Service per Student

Debt service represents the annual payments of interest and principal on long-term debt. Most of the long-term debt service is funded from voter approved general obligation debt levies, which are non-operating revenue sources. Long-term debt is generally for new school buildings or needed renovations or technology and equipment needs.

Debt service per student increased 83% from \$321 to \$486. This increase was from new debt for general obligation bonds of \$39.9 million issued in SY00-01.

Debt Service Per Student (ADMr)  
(adjusted for inflation)



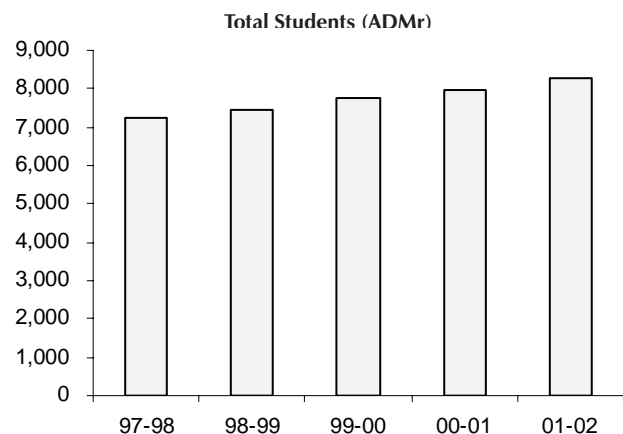
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community needs and resources are difficult to translate into indicators because the data are not easy to gather. The indicators shown here represent only those for which some data were reasonably available. These are:

- Number of Students
- Percent of Students Eligible for Free or Reduced Price Lunches
- Property Values
- Unemployment and Business Activity

### Number of Students

For schools a rapid increase in average number of students has a direct affect on the district's ability to provide adequate services.

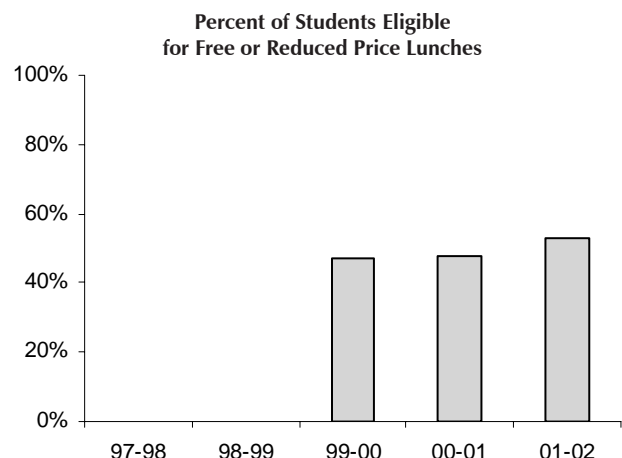
The District has grown 14% in the average number of students over the last five years; from 7,265 to 8,253.



### Percent of Students Eligible for Free or Reduced Price Lunches

Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.

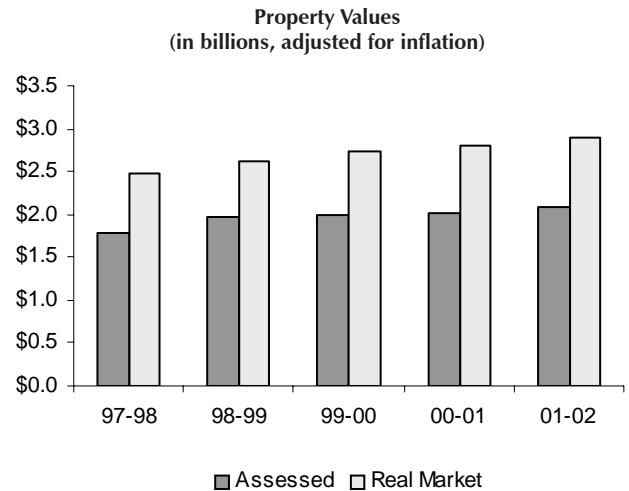
The number of students eligible for free or reduced price lunches has been increasing.



## Property Values

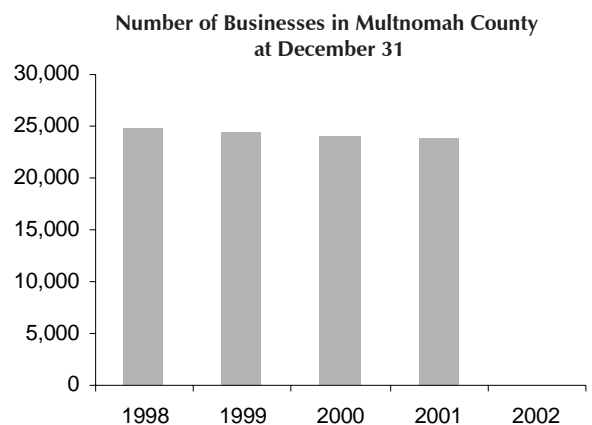
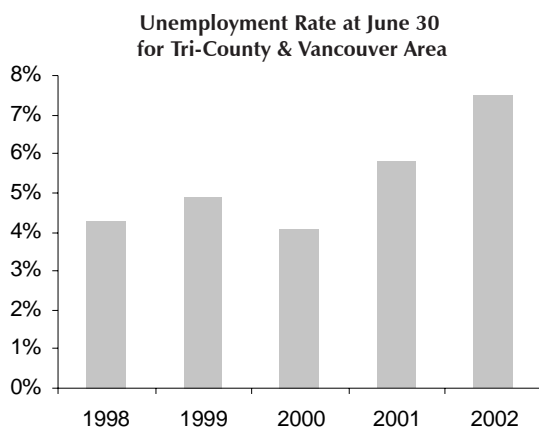
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of the economic growth and health of the District.

The total property value in the District has increased 17% for both assessed value and real market value when adjusted for inflation.



## Unemployment and Business Activity

The unemployment rate and number of business are two of a number of economic indicators for an area. For the Portland Metropolitan area the unemployment rate has continued to grow; and the numbers of businesses has declined. The financial health of the district is dependent on the economic health of both the local area and the state as a whole. The economic decline in Oregon has had an impact on school funding and the ability of taxpayers to relieve the declining revenues.



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## Trends

## Gresham-Barlow School District

### Strengths

- Steady growth in revenues per student
- Revenue forecasting
- Debt issued for needed school improvements
- High growth in assessed property values

### Challenges

- Decreasing unreserved fund balances
- Spending increased faster than inflation and growth in student population

## Background

### History

In July 1994, the Damascus Union, Gresham Grade, Orient school districts and approximately one-third of the Boring school district were merged with the Gresham high school district.

### Operations

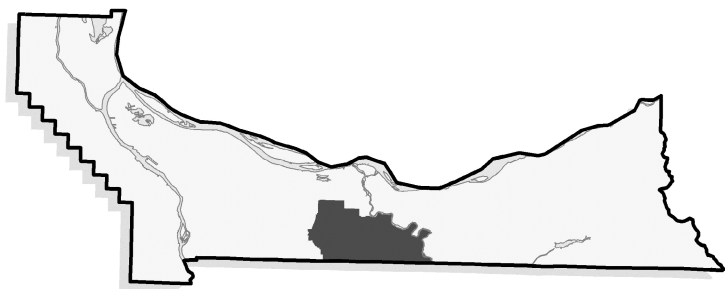
The seven directors, who serve without compensation, are elected at large to four-year terms. Education programs are conducted in eleven elementary schools, five middle schools, two high schools and one alternative high school.

### Financial

In November 2000 the District passed a \$40.2 million bond measure to build three new schools, expand and improve facilities.

### Location

Gresham-Barlow School District boundaries encompass a 54 square mile area. An estimated population of 66,000 is served by the District in the cities of Gresham and Troutdale, in the unincorporated areas of the county, and a portion of Clackamas County.



Revenues determine the capacity of the District to provide services. These indicators include only operating revenues, which consist of the District's general fund and special revenue funds. Debt service funds which include property taxes levied for repayment of general obligation bonds are not included, nor are loans or bond proceeds included. The five indicators included in this report are:

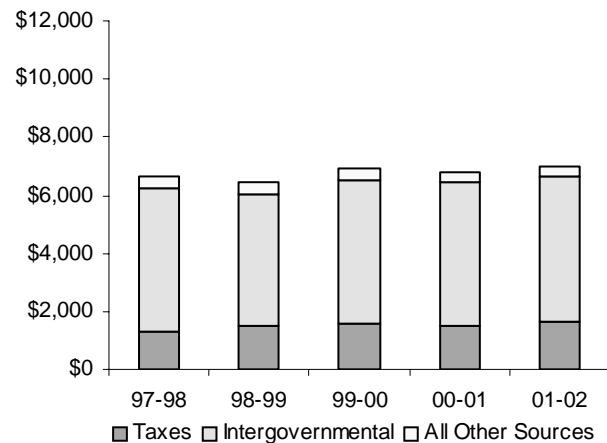
- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surplus or Shortfall

## Operating Revenues per Student

When adjusted for inflation, total operating revenues increased 9% from \$72.4 to \$78.9 million. This was a 5% increase on a per student basis, from \$6,655 to \$6,991.

In SY01-02 revenues from taxes for operations made up 23% of the total, from intergovernmental sources 72%, and other sources 5%.

Operating Revenues per Student (ADMr)  
(adjusted for inflation)

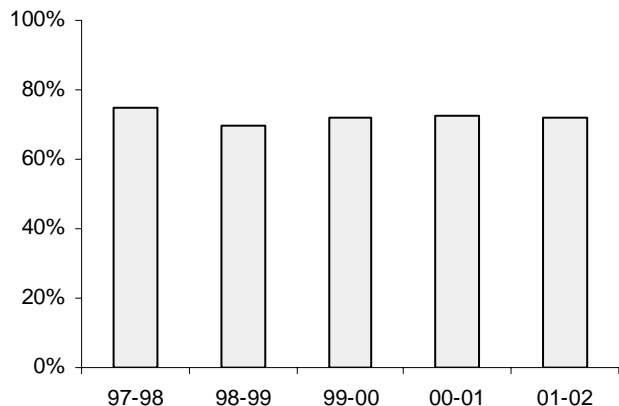


## Intergovernmental Revenues

Intergovernmental revenues show the District's dependence on resources from state or federal governments. For Oregon schools the state support which replaced the property tax based system is a significant part of operating revenues.

In SY01-02 intergovernmental revenues made up 72% of the District's operating revenues; 91% of this amount was from state sources and 9% from various other governmental grants.

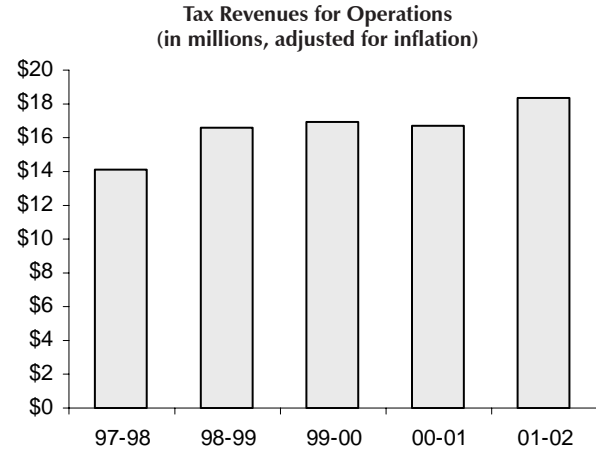
Intergovernmental Revenues  
as Percent of Total



## Tax Revenues for Operations

Although property taxes are no longer the major funding source for schools, they do represent a large portion of operating revenues.

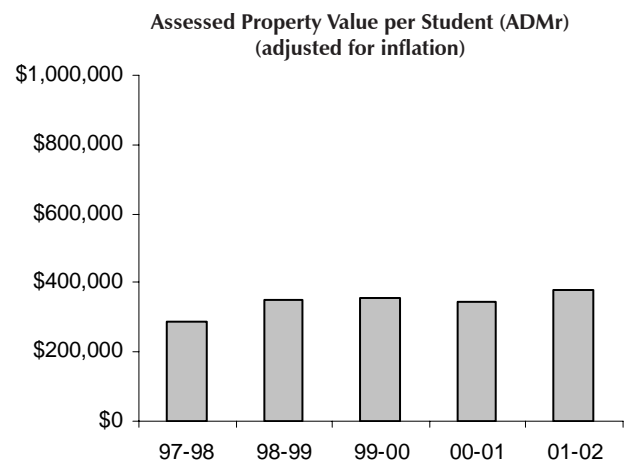
Property taxes for the District's operations increased 30% when adjusted for inflation. This increase is caused by an increase in property valuation as property tax rates for operations have not changed over the last five years. Tax revenues for general obligation bond debt repayment are not included here.



## Assessed Property Values per Student

The assessed property values represent the ability of the District to support the needs of its schools. This is one indicator of affordability to the taxpayer of levies and construction bonds.

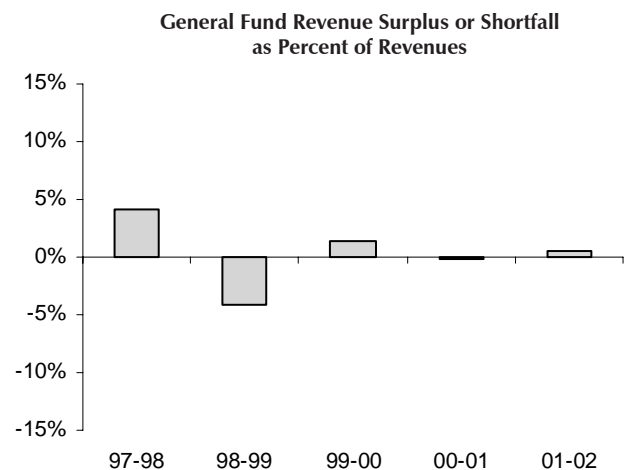
The total assessed property values for the District was approximately \$4.3 billion in SY01-02. The assessed value per student has increased 32% from \$286,000 to \$379,000.



## General Fund Revenue Forecasting

This indicator examines the differences between budgeted revenue estimates and revenues actually received for the district's general fund.

Budgeting state school support is extremely difficult for schools in Oregon; the District's budgeted surplus in the general fund was under 5% over the last 5 years.



Expenditures are a rough measure of a local government's service output. Because Oregon governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will create a long-run imbalance. Some of the more common ways are to borrow or use reserves. Other ways are to defer maintenance of assets or defer funding a future liability such as a pension plan. Operating expenditures include the general fund and special revenue funds; and do not include funds for repayment of long-term debt or for capital projects. Expenditure indicators include:

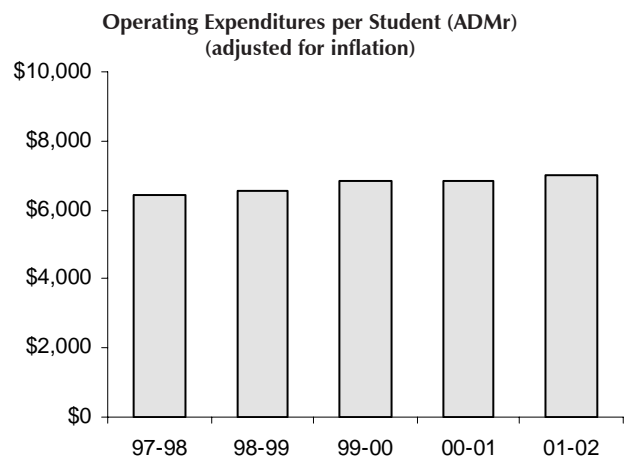
- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

### Operating Expenditures per Student

Expenditures per student reflects both changes in expenditures and in student populations.

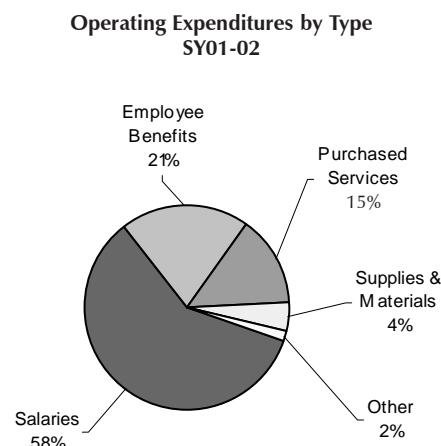
Total operating expenditures increased 13% when adjusted for inflation. Operating expenditures per student increased 9% from \$6,452 to \$7,035.

Management stated some of the increase was from the District's need to comply with requirements for non-English speaking students.



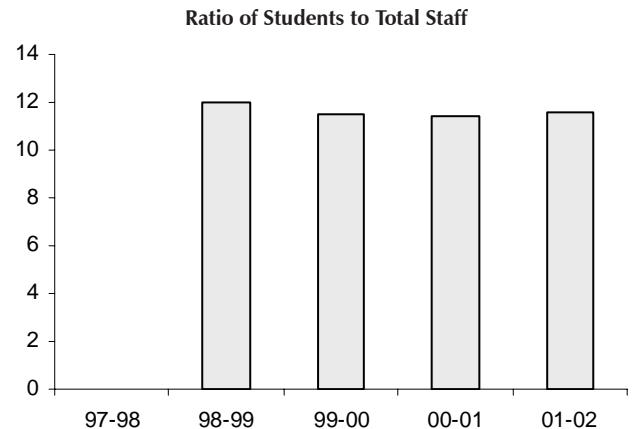
### Operating Expenditures by Type

Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, pension costs. Purchased services generally are for things such as professional services; and supplies and materials include items such as paper, instructional materials and textbooks.



## Ratio of Students to Total Staff

Ratio of students to total staff has decreased over the last four years from 11.9 students to 1 staff in SY98-99 to 11.6 students to 1 staff in SY01-02. Total staff increased 5.9%.



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and education assistants are included in Classroom Instruction.
- Student/Classroom Support are staff who provide services directly for students such as counseling, treatment, speech, and health services; staff who work in extracurricular activities, staff who work in libraries, and staff who work on improving the quality of classroom instruction or developing teacher skills.
- Staff who work at managing or supporting the operation of a particular school are included in Individual School Administration.
- Individual School Support includes staff who work in services that keep individual school buildings operating and functional such as maintaining the school building, transportation, technology, and food services.
- Central Support and Administration include the Board of Education, Superintendent's Office, business, fiscal, and information services, and planning and research.

Number of staff:	SY97-98	SY98-99	SY99-00	SY00-01	SY01-02
Classroom Instruction*		650.5	666.8	685.6	675.6
Student/Classroom Support		94.4	100.8	109.9	110.7
Individual School Administration		74.4	75.6	78.6	78.4
Individual School Support		80.3	77.8	80.8	89.6
Central Support & Administration		22.3	23.3	23.3	22.5
Total Staffing		922.0	944.2	978.2	976.7

\*Includes teachers and educational assistants

## Operating Position

## Gresham-Barlow School District

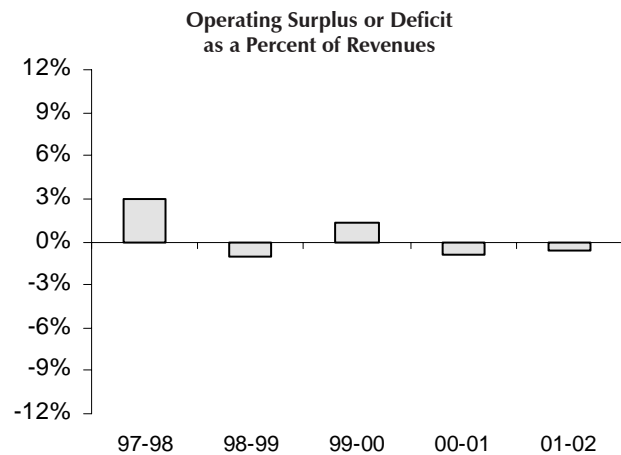
Operating position indicators measure the ability of a District to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating position:

- Operating Surplus or Deficit
- Unreserved Fund Balances

### Operating Surplus or Deficit

Operating surplus or deficit is the difference between revenues and expenditures. Surpluses may be caused by unexpected revenue increases, transfers from non-operating funds, or budgeted to increase reserves. Deficits may occur if revenues are less than expected or when reserves or transfers from non-operating funds are used to maintain current operations.

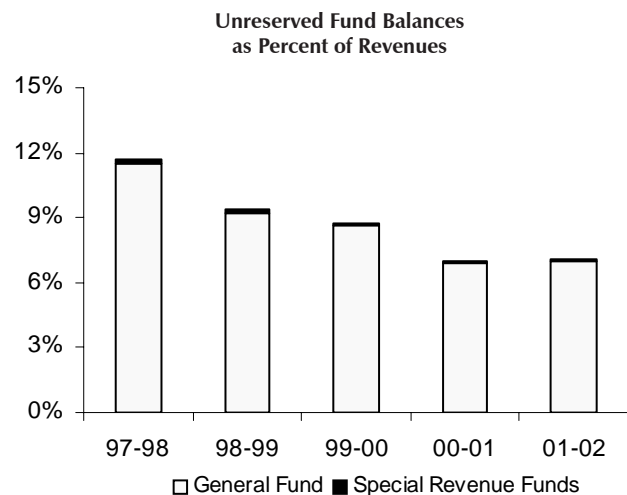
The District's operating surpluses/deficits have been under 3% for the last five years.



### Unreserved Fund Balances

The size of a district's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow.

The unreserved operating fund balances have been decreasing since SY97-98. The District has a financial policy for maintaining reserves in the general and food services funds and for debt service. According to management they recently reduced their reserves for debt service on the advice of the Multnomah County Tax Supervising and Conservation Commission.



Debt is an effective way to finance capital improvements and to even out short-term revenue flows. Districts often use Tax Anticipation Notes for short-term financing. These are generally repaid by the end of the fiscal year. The most common forms of long-term debt are general obligation bonds, Certificates of Participation, or revenue bonds. Under the most favorable circumstances, a local government's debt is proportional in size and rate of growth to its tax base; does not extend past the useful life of the facilities that it finances; is not used to balance the operating budget; does not require repayment schedules that put excessive burdens on operating expenditures; and is not so high as to jeopardize the government's credit rating. Debt indicators are:

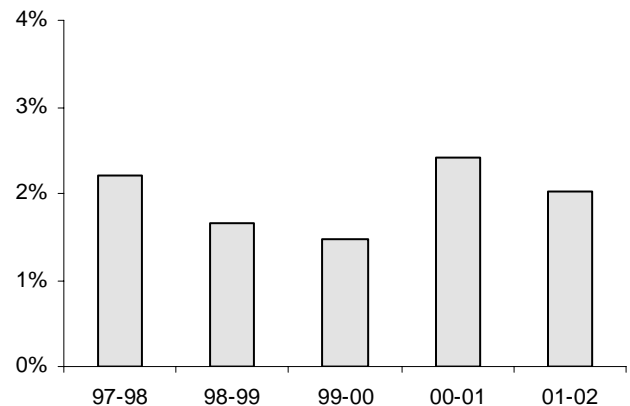
- Long-Term Debt
- Debt Service per Student

### Long-Term Debt

Long-term debt as a percentage of assessed property values reflects the ability of the district tax base to cover debt. Debt repayments for general obligation bonds are approved by voters and are outside the property tax limitations.

Most of the District's long-term debt is in voter approved general obligation bonds. The District has maintained a ratio under 2.5% over the last five years.

Total Long-term Debt  
as Percent of Assessed Value

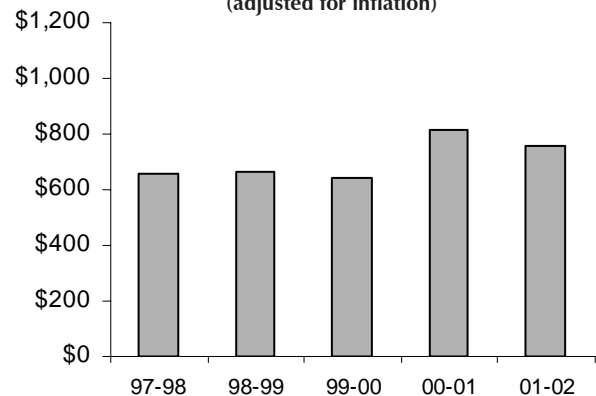


### Debt Service per Student

Debt service represents the annual payments of interest and principal on long-term debt. Most of the long-term debt service is funded from voter approved general obligation debt levies, which are non-operating revenue sources. Long-term debt is generally for new school buildings or needed renovations or technology and equipment needs.

Debt service per student has increased by 15% from \$656 in to \$756. The increase was from new debt for \$40.2 million general obligation bonds issued in December 2001.

Debt Service per Student (ADMr)  
(adjusted for inflation)



## Community Needs and Resources

## Gresham-Barlow School District

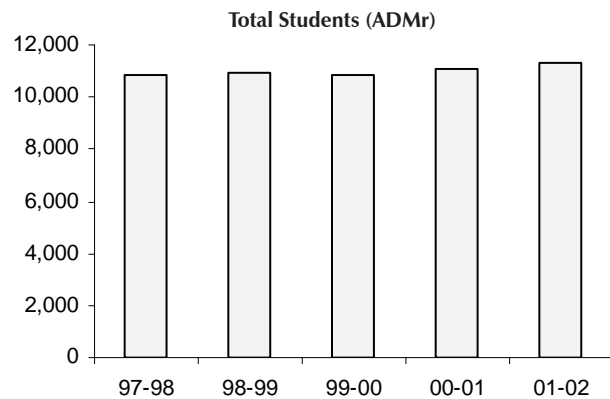
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community needs and resources are difficult to translate into indicators because the data are not easy to gather. The indicators shown here represent only those for which some data were reasonably available. These are:

- Number of Students
- Percent of Students Eligible for Free or Reduced Price Lunches
- Property Values
- Unemployment and Business Activity

### Number of Students

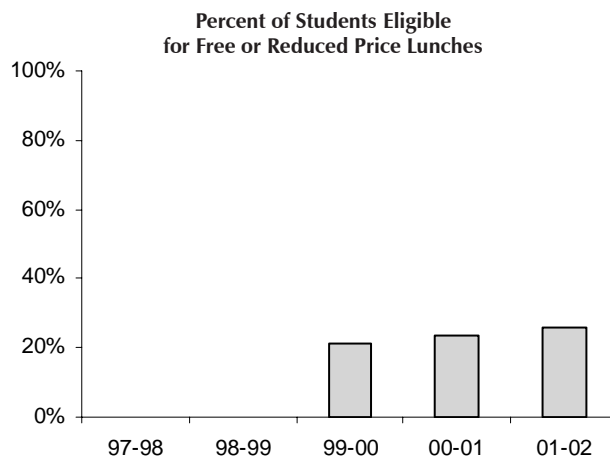
For schools a rapid increase in average number of students has a direct affect on the district's ability to provide adequate services.

The District has grown 4% in the average number of students over the last five years from 10,884 to 11,286.



### Percent of Students Eligible for Free or Reduced Price Lunches

Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.

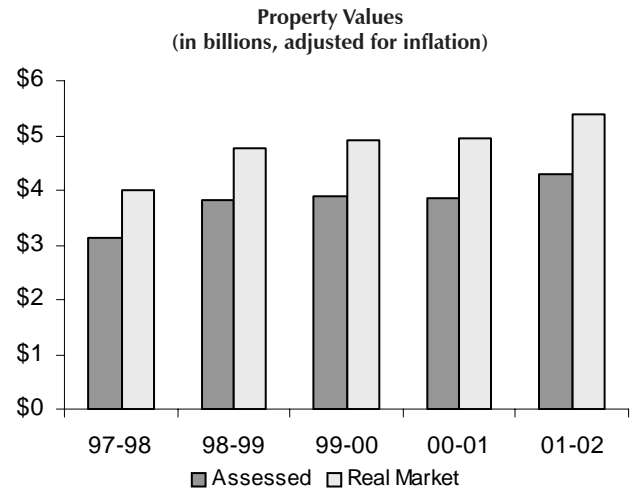




## Property Values

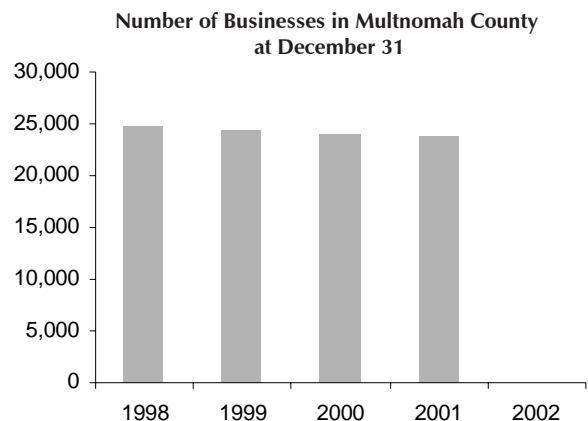
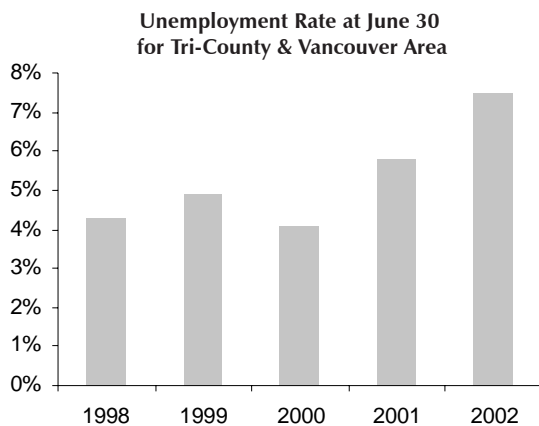
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of the economic growth and health of the District.

Total property value in the District has increased 37% for assessed value and 34% for real market value when adjusted for inflation.



## Unemployment and Business Activity

The unemployment rate and number of business are two of a number of economic indicators for an area. For the Portland Metropolitan area the unemployment rate has continued to grow; and the numbers of businesses has declined. The financial health of the district is dependent on the economic health of both the local area and the state as a whole. The economic decline in Oregon has had an impact on school funding and the ability of taxpayers to relieve the declining revenues.



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## Trends

## Parkrose School District

### Strengths

- Over 10% growth in revenues per student
- Increasing unreserved fund balances
- Strong assessed property values per student
- Spending per student decreasing faster than inflation
- Decreasing staff with increasing student population
- High growth in assessed property values

### Challenges

## Background

### History

The Parkrose School District began in 1885 as a school house on Sandy and 122nd. In 1991, the area the District serves was incorporated into the City of Portland.

### Operations

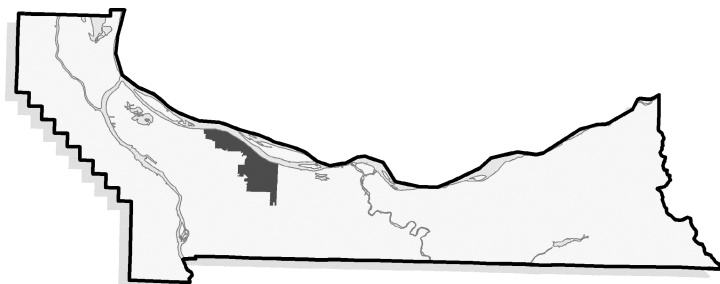
The five directors, who serve without compensation, are elected at large to four-year terms. Education programs are conducted in four elementary schools, one middle school, one high school, and one administrative facility.

### Financial

The District incurred no new debt in the last five-years.

### Location

Parkrose School District boundaries encompass a 15 square mile area. An estimated population of 27,000 is served by the District in the cities of Portland and Maywood Park.



Revenues determine the capacity of the District to provide services. These indicators include only operating revenues, which consist of the District's general fund and special revenue funds. Debt service funds which include property taxes levied for repayment of general obligation bonds are not included, nor are loans or bond proceeds included. The five indicators included in this report are:

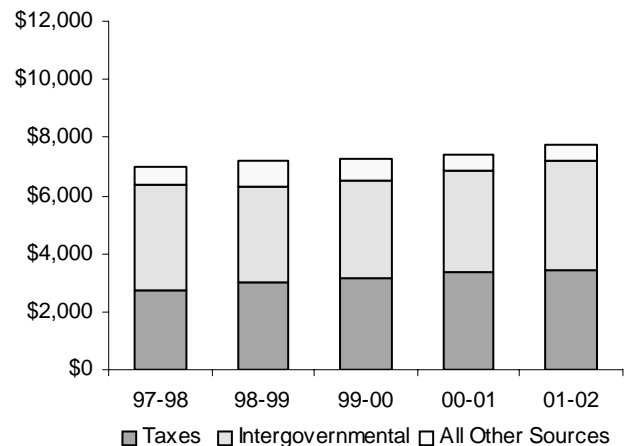
- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for operations
- Assessed Property Values per Student
- General Fund Revenue Surpluses or Shortfalls

### Operating Revenues per Student

When adjusted for inflation, total operating revenues have increased 16% from \$24 million to \$27 million. This increase was 11% on a per student basis, from \$7,001 to \$7,767.

In SY01-02 revenues from taxes for operations made up 44% of the total, from intergovernmental sources 49%, and other sources 7%.

Operating Revenues per Student (ADMr)  
(adjusted for inflation)

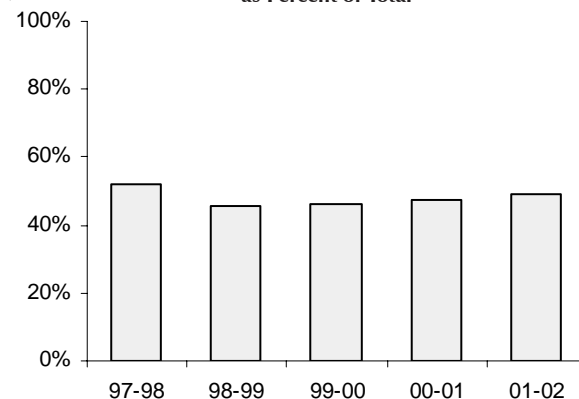


### Intergovernmental Revenues

Intergovernmental revenues show the District's dependence on resources from state or federal governments. For Oregon schools the state support which replaced the property tax based system is a significant part of operating revenues.

In SY01-02 intergovernmental revenues made up 49% of the District's operating revenues; 86% of the amount was from state sources and 14% from various other governmental grants.

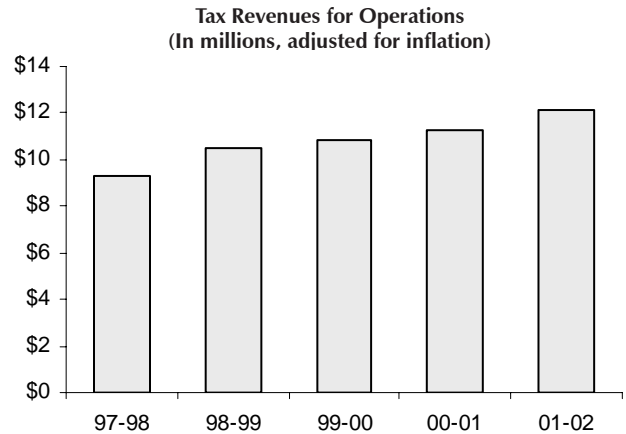
Intergovernmental Revenues  
as Percent of Total



## Tax Revenues for Operations

Although property taxes are no longer the major funding source for schools, they do represent a large portion of operating revenues.

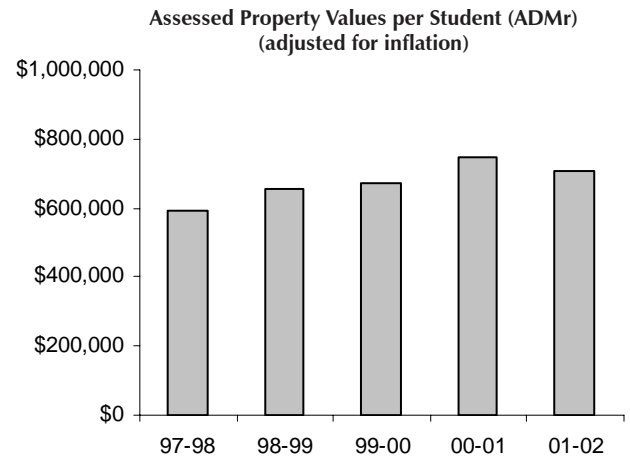
Property taxes for the District's operations increased 30% when adjusted for inflation. This increase is caused by an increase in property valuation as property tax rates for operations have not changed over the last five-years. Tax revenues for general obligation bond debt repayment are not included.



## Assessed Property Values per Student

The assessed property values represent the ability of the District to support the needs of its schools. This is one indicator of affordability to the taxpayer of levies and construction bonds.

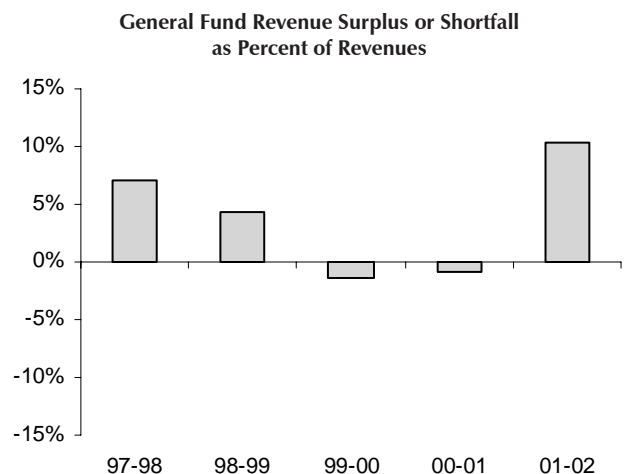
The total assessed property values for the District was approximately \$2.5 billion in SY01-02. The assessed value per student has increased 20% from \$591,000 to \$709,000.



## General Fund Revenue Forecasting

This indicator examines the differences between budgeted revenue estimates and revenues actually received for the District's general fund.

Budgeting state school support is extremely difficult for schools in Oregon; the district's budgeted surplus in the general fund was 7% in SY97-98 and 10% in SY01-02. For SY98-99 through SY99-01 they were under 5%.



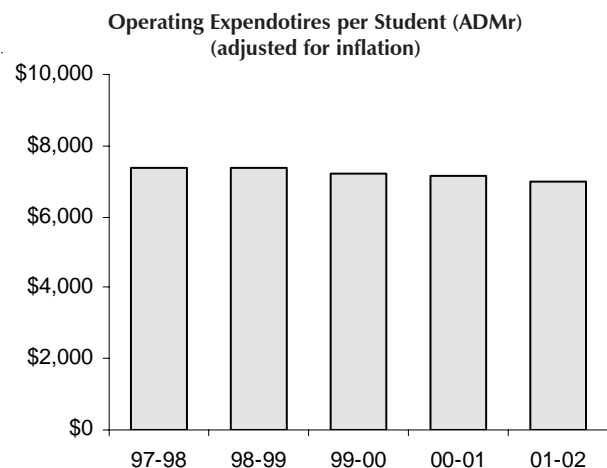
Expenditures are a rough measure of a local government's service output. Because Oregon governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will create a long-run imbalance. Some of the more common ways are to borrow or use reserves. Other ways are to defer maintenance of assets or defer funding a future liability such as a pension plan. Operating expenditures include the general fund and special revenue funds; and do not include funds for repayment of long-term debt or for capital projects. Expenditure indicators are:

- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

### Operating Expenditures per Student

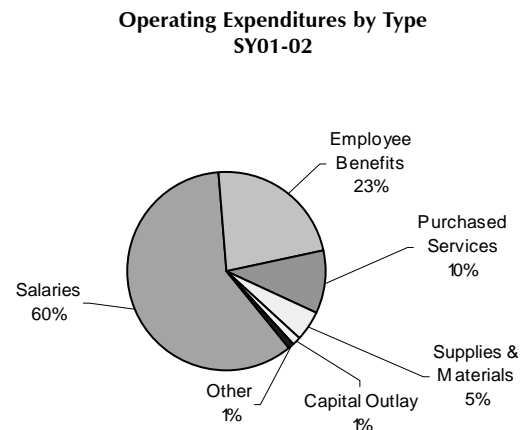
Expenditures per student reflects both changes in expenditures and in student populations.

Total operating expenditures decreased 1% when adjusted for inflation. Operating expenditures per student decreased 6% from \$7,388 to \$6,972.



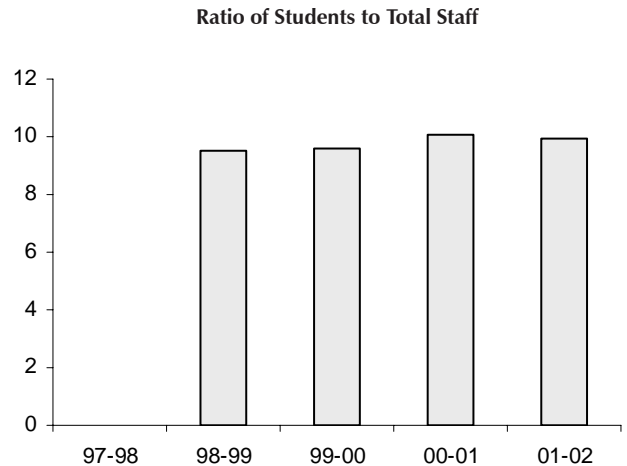
### Operating Expenditures by Type

Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, pension costs. Purchased services generally are for things such as professional services; and supplies and materials include items such as paper, instructional materials and textbooks.



## Ratio of Students to Total Staff

The ratio of students to total staff was 9.5 students to 1 staff in SY98-99 and 9.9 students to 1 staff in SY01-02. Total staff decreased 1.8%.



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and education assistants are included in Classroom Instruction.
- Student/Classroom Support are staff who provide services directly for students such as counseling, treatment, speech, and health services; staff who work in extracurricular activities, staff who work in libraries, and staff who work on improving the quality of classroom instruction or developing teacher skills.
- Staff who work at managing or supporting the operation of a particular school are included in Individual School Administration.
- Individual School Support includes staff who work in services that keep individual school buildings operating and functional such as maintaining the school building, transportation, technology, and food services.
- Central Support and Administration include the Board of Education, Superintendent's Office, business, fiscal, and information services, and planning and research.

Number of staff:	SY97-98	SY98-99	SY99-00	SY00-01	SY01-02
Classroom Instruction*		224.9	224.2	213.2	226.3
Student/Classroom Support		34.0	26.0	21.7	23.0
Individual School Administration		29.0	27.4	23.9	26.0
Individual School Support		57.3	63.2	64.0	65.7
Central Support & Administration		19.0	14.5	13.6	16.5
Total Staffing		364.2	355.3	336.4	357.5

\*Includes teachers and educational assistants

## Operating Position

## Parkrose School District

Operating position indicators measure the ability of a district to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating position:

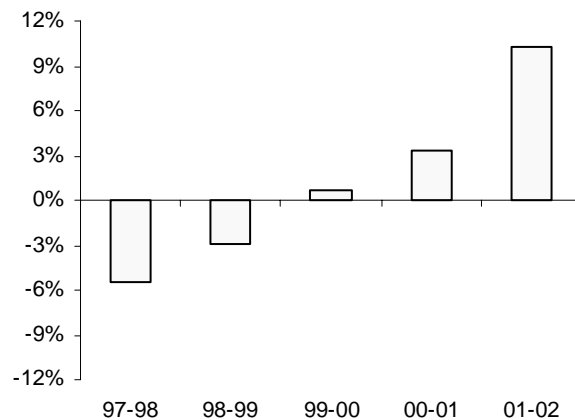
- Operating Surplus or Deficit
- Unreserved Fund Balances

### Operating Surplus or Deficit

Operating surplus or deficit is the difference between revenues and expenditures. Surpluses may be caused by unexpected revenue increases, transfers from non-operating funds, or budgeted to increase reserves. Deficits may occur if revenues are less than expected or when reserves or transfers from non-operating funds are used to maintain current operations.

The District had an operative deficit of nearly 6% in SY97-98, but has experienced surpluses in the last three years.

Operating Surplus or Deficit  
as a Percent of Revenues

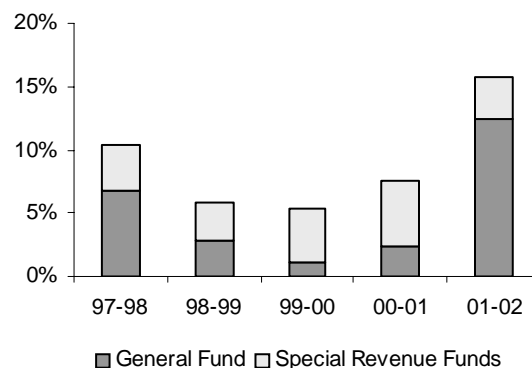


### Unreserved Fund Balances

The size of a district's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow.

The unreserved operating fund balances have been increasing since SY99-00. In SY01-02 some of the increase was a result of operating surpluses in that year as noted above.

Unreserved Fund Balances  
as Percent of Revenues





Debt is an effective way to finance capital improvements and to even out short-term revenue flows. Districts often use Tax Anticipation Notes for short-term financing. These are generally repaid by the end of the fiscal year. The most common forms of long-term debt are general obligation bonds, Certificates of Participation, or revenue bonds. Under the most favorable circumstances, a local government's debt is proportional in size and rate of growth to its tax base; does not extend past the useful life of the facilities that it finances; is not used to balance the operating budget; does not require repayment schedules that put excessive burdens on operating expenditures; and is not so high as to jeopardize the government's credit rating. Debt indicators are:

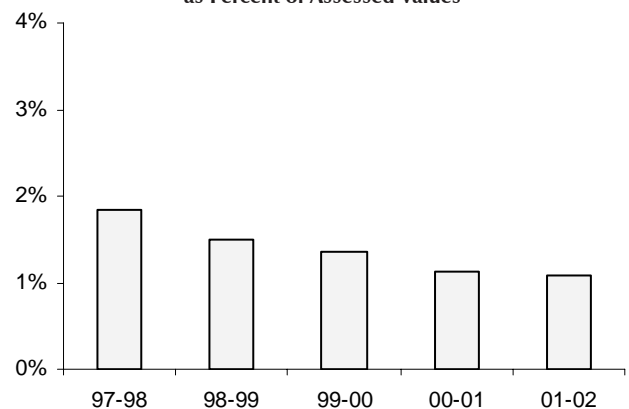
- Long-Term Debt
- Debt Service per Student

### Long-Term Debt

Long-term debt as a percentage of assessed property values reflects the ability of the district tax base to cover debt. Debt repayments for general obligation bonds are approved by voters and are outside the property tax limitations.

All of the District's long-term debt is in voter approved general obligation bonds. The District has maintained a ratio under 2% over the last five years with the ratio decreasing from 1.8% to 1.1%.

Total Long-term Debt  
as Percent of Assessed Values

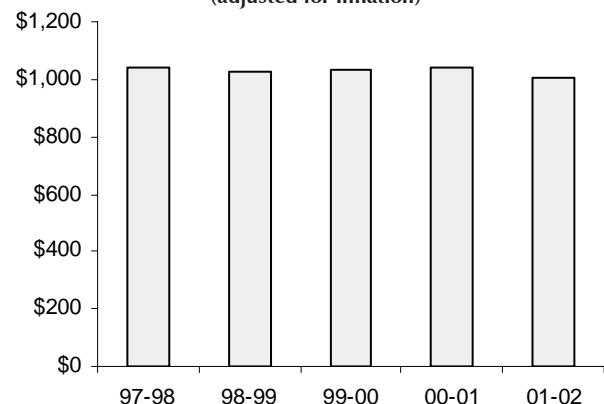


### Debt Service per Student

Debt service represents the annual payments of interest and principal on long-term debt. Most of the long-term debt service is funded from voter approved general obligation debt levies, which are non-operating revenue sources. Long-term debt is generally for new school buildings or needed renovations or technology and equipment needs.

Debt service per student is slightly lower in SY01-02 than it was five years ago in SY97-98 from \$1,042 to \$1,008.

Debt Service per Student (ADMr)  
(adjusted for inflation)



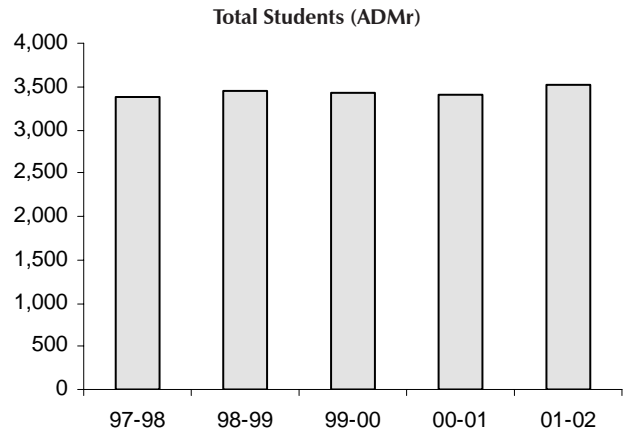
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community needs and resources are difficult to translate into indicators because the data are not easy to gather. The indicators shown here represent only those for which some data were reasonably available. These are:

- Number of Students
- Percent of Students Eligible for Free or Reduced Price Lunches
- Property Values
- Unemployment and Business Activity

### Number of Students

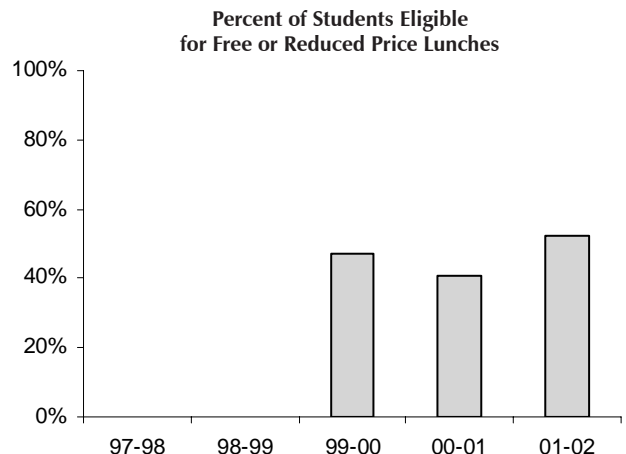
For schools a rapid increase in average number of students has a direct affect on the district's ability to provide adequate services.

The District has grown 4.5% in the average number of students from 3,372 to 3,526.



### Percent of Students Eligible for Free or Reduced Price Lunches

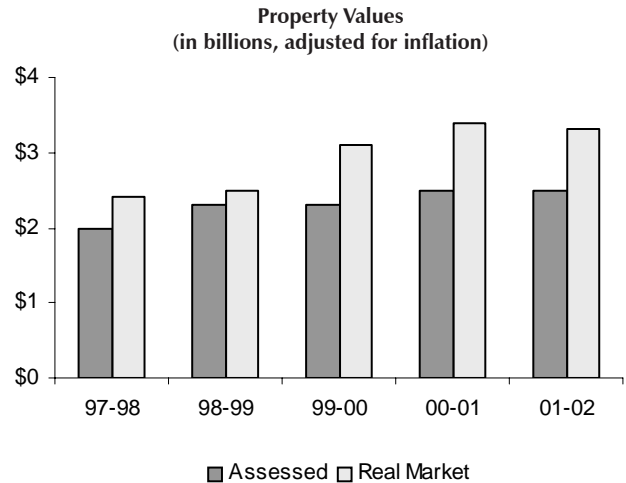
Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.



## Property Values

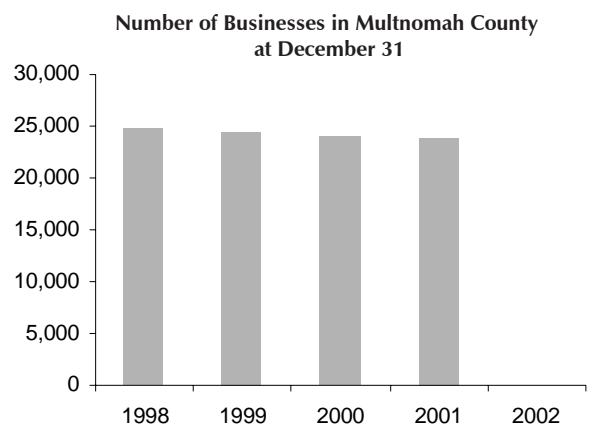
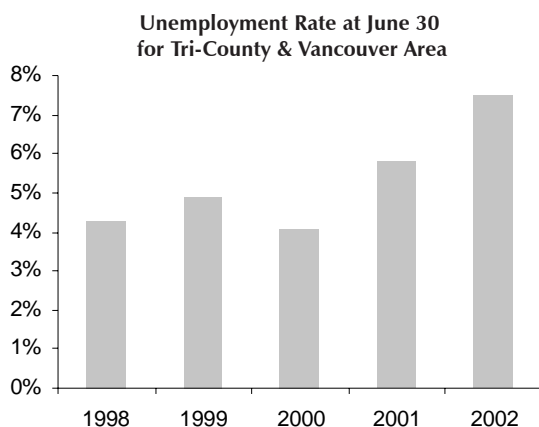
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of the economic growth and health of the District.

The total property value in the District has increased 11% for assessed value and 26% for real market value when adjusted for inflation.



## Unemployment and Business Activity

The unemployment rate and number of business are two of a number of economic indicators for an area. For the Portland Metropolitan area the unemployment rate has continued to grow; and the numbers of businesses has declined. The financial health of the district is dependent on the economic health of both the local area and the state as a whole. The economic decline in Oregon has had an impact on school funding and the ability of taxpayers to relieve the declining revenues.



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### Strengths

- Some growth in revenues per student
- Revenue forecasting
- Strong assessed property values per student
- Debt issued for needed school improvements
- Five year local option levy passed
- Moderate growth in assessed property values

### Challenges

- Decreasing unreserved fund balances
- Low unreserved fund balances
- Spending increased faster than inflation or growth in student population
- Five year local option levy passed
- Declining number of students

## Background

### History

The first Portland School Board was elected in 1851. Within three decades Portland had several public schools and one of the first public high schools in the U.S. Portland is the largest school district in Oregon.

### Operations

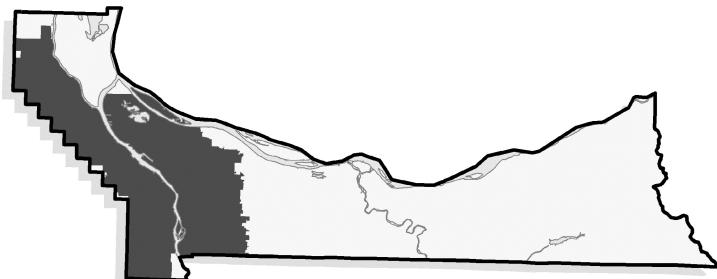
The seven directors, who serve without compensation, are elected by zone for four-year terms. Education programs are conducted in 63 elementary schools, 17 middle schools, 10 high schools, and 25 alternative or support facilities.

### Financial

In November 1995 voters approved a 10-year capital bond totaling \$196 million. In June 1999 the District issued \$43 million in Certificates of Participation for system projects. In May 2000, the District passed a five year local option levy of \$.75 per thousand of assessed value.

### Location

Portland Public School boundaries encompass a 146 square mile area. An estimated population of 400,000 is served by the District located primarily within the City of Portland, but extending into Lake Oswego and unincorporated areas of the county, Clackamas and Washington Counties.



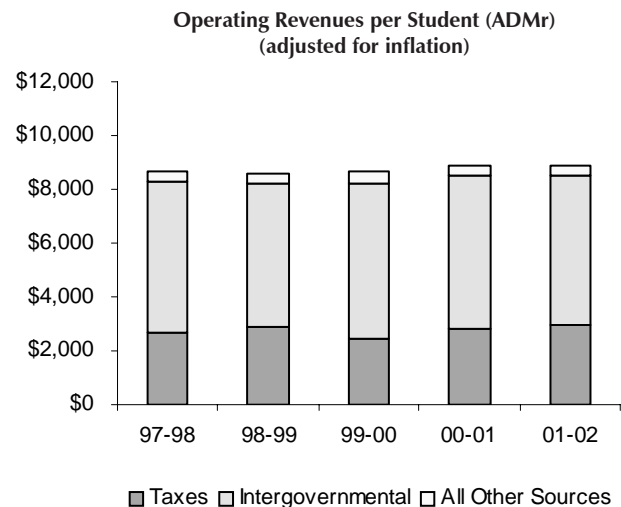
Revenues determine the capacity of the District to provide services. These indicators include only operating revenues, which consist of the District's general fund and special revenue funds. Debt service funds which include property taxes levied for repayment of general obligation bonds are not included, nor are loans or bond proceeds included. The five indicators included in this report are:

- Operating Revenues per Student
- Intergovernmental Revenues as % of Operating Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surplus or Shortfall

## Operating Revenues per Student

When adjusted for inflation, total operating revenues have decreased 1% from \$432.1 million to \$429.9 million. Operating revenues per student increased 3% from \$8,691 to \$8,913.

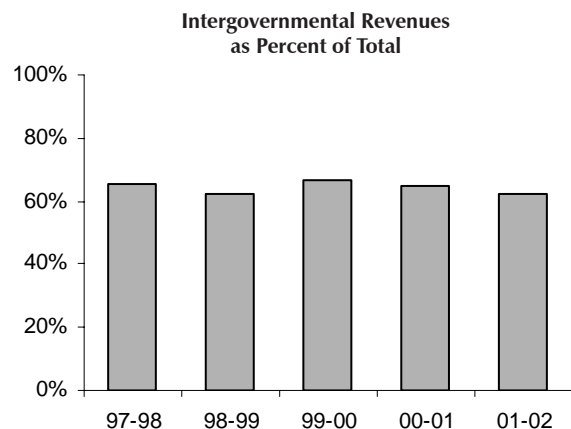
In SY01-02 revenues from taxes for operations made up 33% of the total, from intergovernmental sources 62%, and other sources 5%.



## Intergovernmental Revenues

Intergovernmental revenues show the District's dependence on resources from state or federal governments. For Oregon schools the state support which replaced the property tax based system is a significant part of operating revenues.

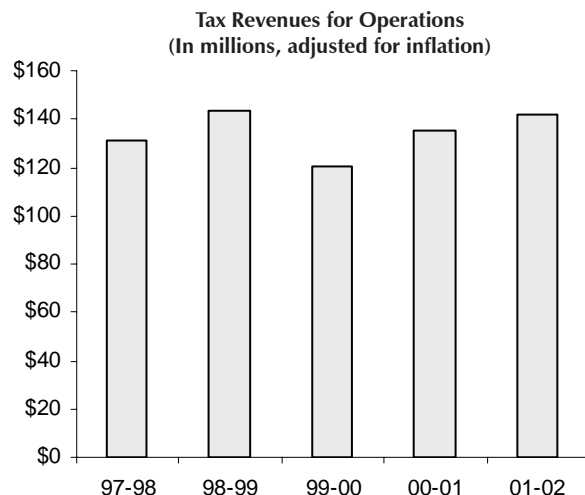
In SY01-02 intergovernmental revenues made up 62% of the District's operating revenues; 73% of this amount was state school funding and 27% from various federal, state, and local government grants.



## Tax Revenues for Operations

Although property taxes are no longer the major funding source for schools, they do represent a large portion of operating revenues.

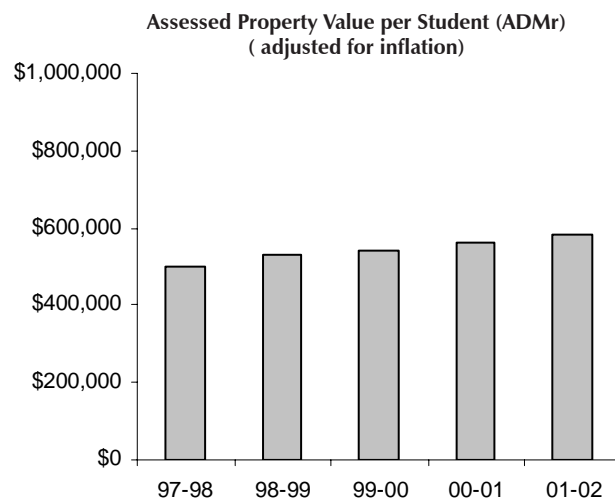
Property taxes for the District's operations increased 20% when adjusted for inflation. This increase is caused by an increase in property valuation and a local option levy approved by voters in SY00-01. Tax revenues for general obligation bond debt repayment are not included here.



## Assessed Property Values per Student

The assessed property values represent the ability of the District to support the needs of its schools. This is one indicator of affordability to the taxpayer of levies and construction bonds.

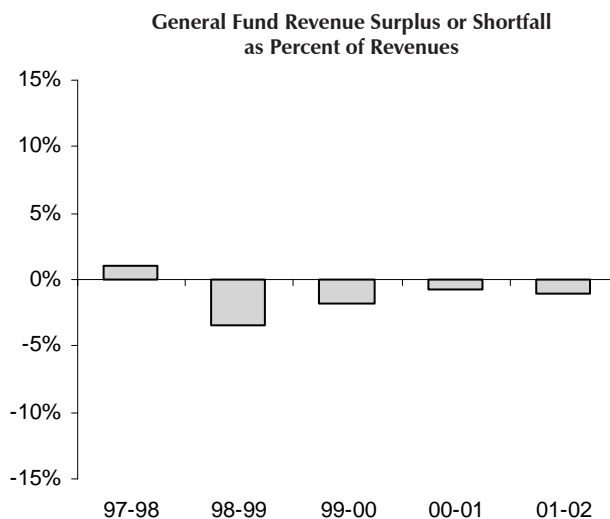
The total assessed property values for the District was approximately \$28 billion in SY01-02. The assessed value per student has increased 16% from \$501,000 to \$581,000.



## General Fund Revenue Forecasting

This indicator examines the differences between budgeted revenue estimates and revenues actually received for the District's general fund.

Budgeting state school support is extremely difficult for schools in Oregon; the District's budgeted deficits or surpluses have been under 4% over the last five years.



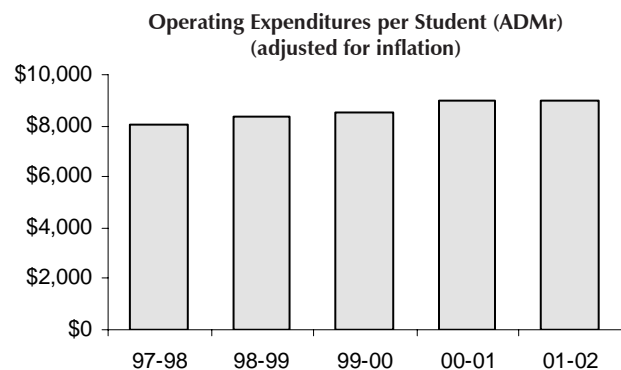
Expenditures are a rough measure of a local government's service output. Because Oregon governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will create a long-run imbalance. Some of the more common ways are to borrow or use reserves. Other ways are to defer maintenance of assets or defer funding a future liability such as a pension plan. Operating expenditures include the general fund and special revenue funds; and do not include funds for repayment of long-term debt or for capital projects. Expenditure indicators include:

- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

### Operating Expenditures per Student

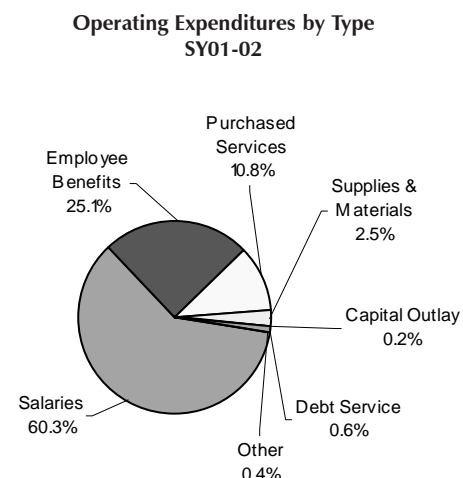
Expenditures per student reflects both changes in expenditures and in student populations.

The total operating expenditures increased 8% when adjusted for inflation. Operating expenditures per student increased 11% from \$8,041 to \$8,951. Some of the increase is due to the declining number of students.



### Operating Expenditures by Type

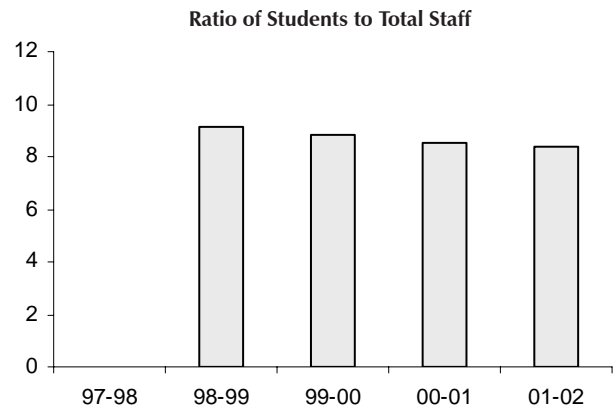
Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, pension costs. Purchased services generally are for things such as professional services; and supplies and materials include items such as paper, instructional materials and textbooks.





## Ratio of Students to Total Staff

The ratio of students to total staff decreased over the last four years from 9.1 students to 1 staff to 8.4 students to 1 staff. Total staff increased 2.9%



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and education assistants are included in Classroom Instruction.
- Student/Classroom Support are staff who provide services directly for students such as counseling, treatment, speech, and health services; staff who work in extracurricular activities, staff who work in libraries, and staff who work on improving the quality of classroom instruction or developing teacher skills.
- Staff who work at managing or supporting the operation of a particular school are included in Individual School Administration.
- Individual School Support includes staff who work in services that keep individual school buildings operating and functional such as maintaining the school building, transportation, technology , and food services.
- Central Support and Administration include the Board of Education, Superintendent's Office, business, fiscal, human resources, and information services, and planning and research.

Number of staff:	SY97-98	SY98-99	SY99-00	SY00-01	SY01-02
Classroom Instruction*		N/A	N/A	N/A	3673.3
Student/Classroom Support		N/A	N/A	N/A	638.5
Individual School Administration		N/A	N/A	N/A	400.0
Individual School Support		N/A	N/A	N/A	890.1
Central Support & Administration		N/A	N/A	N/A	135.2
Other		N/A	N/A	N/A	8.5
Total Staffing		5463.6	5587.4	5728.6	5749.1

\*Includes teachers and educational assistants

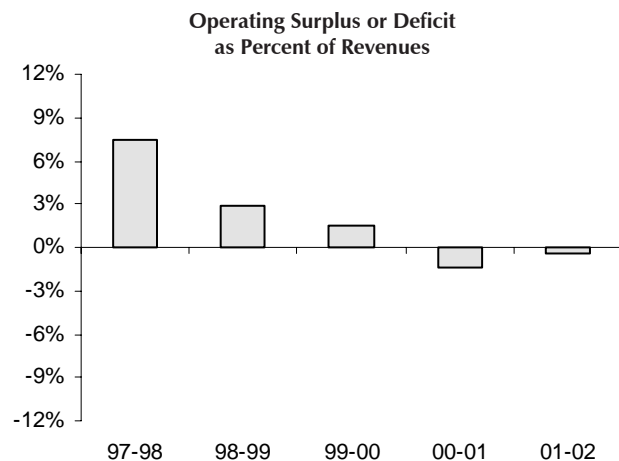
Operating position indicators measure the ability of a district to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating position:

- Operating Surplus or Deficit
- Unreserved Fund Balances

### Operating Surplus or Deficit

Operating surplus or deficit is the difference between revenues and expenditures. Surpluses may be caused by unexpected revenue increases, transfers from non-operating funds, or budgeted to increase reserves. Deficits may occur if revenues are less than expected or when reserves or transfers from non-operating funds are used to maintain current operations.

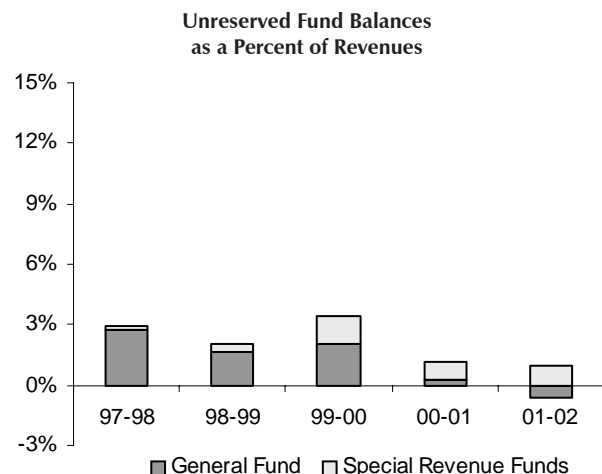
The District's operating surpluses and deficits have been declining over the last five years.



### Unreserved Fund Balances

The size of a district's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow.

The unreserved operating fund balances for the general fund have been declining over the last five years from 2.7% to -0.07%, fund balances for special revenue funds increased 0.2% to 1%.



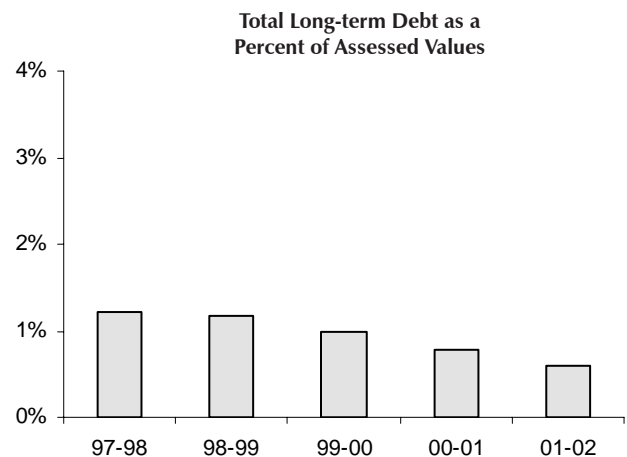
Debt is an effective way to finance capital improvements and to even out short-term revenue flows. Districts often use Tax Anticipation Notes for short-term financing. These are generally repaid by the end of the fiscal year. The most common forms of long-term debt are general obligation bonds, Certificates of Participation, or revenue bonds. Under the most favorable circumstances, a local government's debt is proportional in size and rate of growth to its tax base; does not extend past the useful life of the facilities that it finances; is not used to balance the operating budget; does not require repayment schedules that put excessive burdens on operating expenditures; and is not so high as to jeopardize the government's credit rating. Debt indicators are:

- Long-Term Debt
- Debt Service per Student

### Long-Term Debt

Long-term debt as a percentage of assessed property values reflects the ability of the district tax base to cover debt. Debt repayments for general obligation bonds are approved by voters and are outside the property tax limitations.

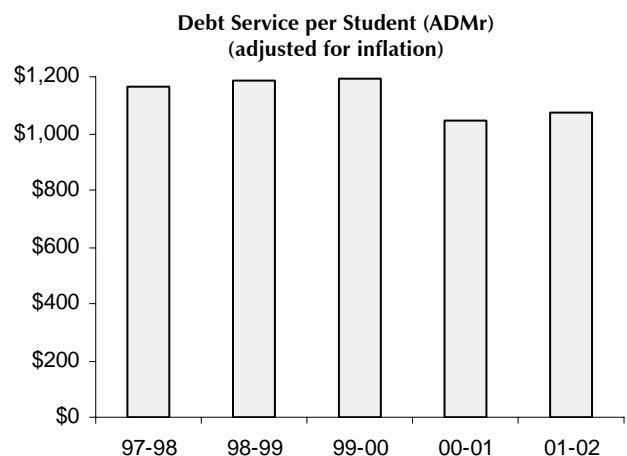
Over half of the District's long-term debt is in voter approved general obligation bonds. The District has maintained a ratio under 1.5% over the last five years with the ratio decreasing from 1.2% to .6%.



### Debt Service per Student

Debt service represents the annual payments of interest and principal on long-term debt. Most of the long-term debt service is funded from voter approved general obligation debt levies, which are non-operating revenue sources. Long-term debt is generally for new school buildings or needed renovations or technology and equipment needs.

Debt service per student is slightly lower in SY01-02 than it was five years ago in SY97-98; from \$1,166 down to \$1,073 per student.



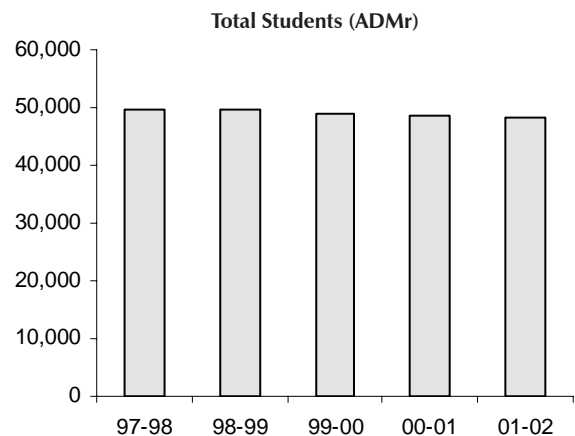
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community needs and resources are difficult to translate into indicators because the data are not easy to gather. The indicators shown here represent only those for which some data were reasonably available. These are:

- Number of Students
- Percent of Students Eligible for Free or Reduced Price Lunches
- Property Values
- Unemployment and Business Activity

### Number of Students

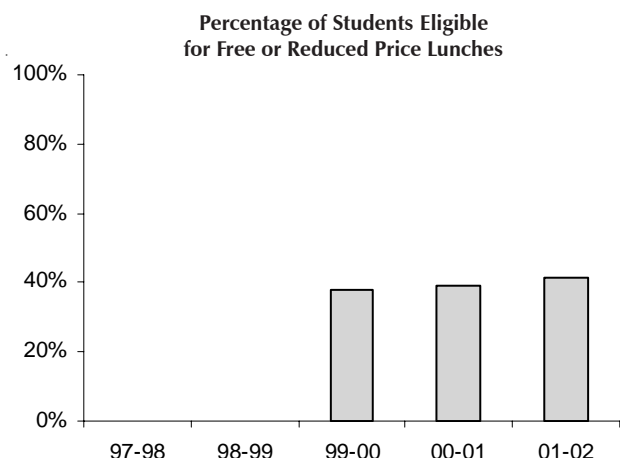
For schools a rapid increase in average number of students has a direct affect on the district's ability to provide adequate services.

The District has declined 3% in the average number of students over the last five years from 49,712 to 48,152.



### Percent of Students Eligible for Free or Reduced Price Lunches

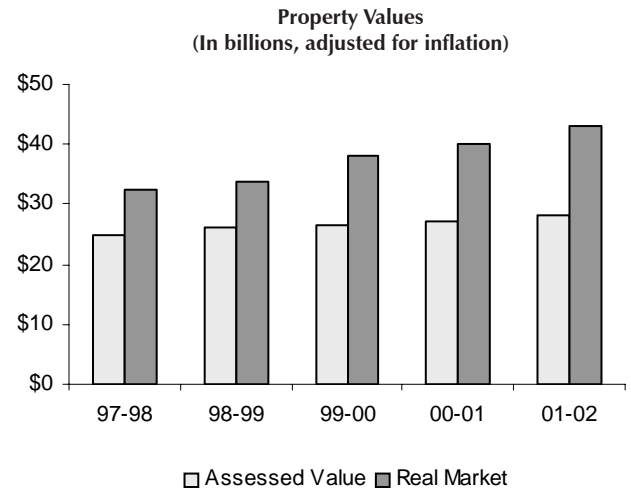
Increasing numbers of low income households may add to the costs for schools . The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.



## Property Values

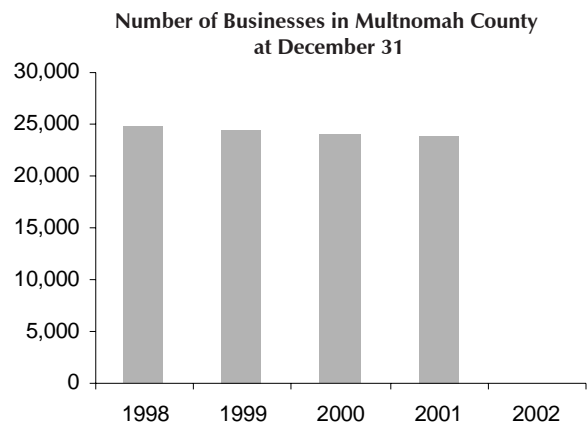
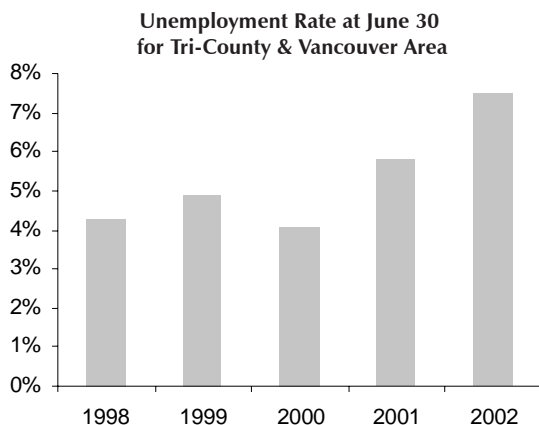
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of the economic growth and health of the District.

The total property value in the District has increased 12% for assessed value and 32% for real market value when adjusted for inflation.



## Unemployment and Business Activity

The unemployment rate and number of business are two of a number of economic indicators for an area. For the Portland Metropolitan area the unemployment rate has continued to grow; and the numbers of businesses has declined. The financial health of the district is dependent on the economic health of both the local area and the state as a whole. The economic decline in Oregon has had an impact on school funding and the ability of taxpayers to relieve the declining revenues.



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## Trends

## Reynolds School District

### Strengths

- Over 10% growth in revenues per student
- Revenue forecasting
- Debt issued for needed school improvements
- Moderate growth in assessed property values

### Challenges

- Decreased unreserved fund balances
- Low unreserved fund balances
- Spending increased faster than inflation and growth in student population
- Large increase in size of student population

## Background

### History

The District was established when the elementary school districts of Fairview, Troutdale and Wilkes consolidated. In 1975, Rockwood School District merged with Reynolds.

### Operations

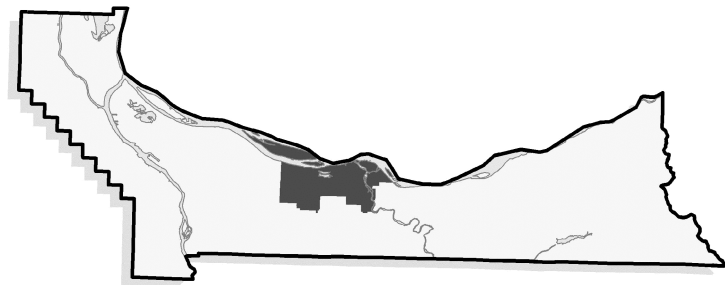
The seven directors, who serve without compensation, are elected at large to four-year terms. Education programs are conducted in ten elementary schools, three middle schools, one high school, and alternative school, charter schools and NRA.

### Financial

In November, 2000 the District passed a \$45 million bond measure for facility upgrades, including two new school buildings. In June 2001 the District issued \$4.1 million in full faith and credit obligations to consolidate lease purchases.

### Location

Reynolds School District boundaries encompass a 27 mile area, which includes the cities of Fairview, Troutdale, Wood Village and parts of Gresham and Portland as well as some unincorporated area. An estimated population of 68,000 is served by the District.



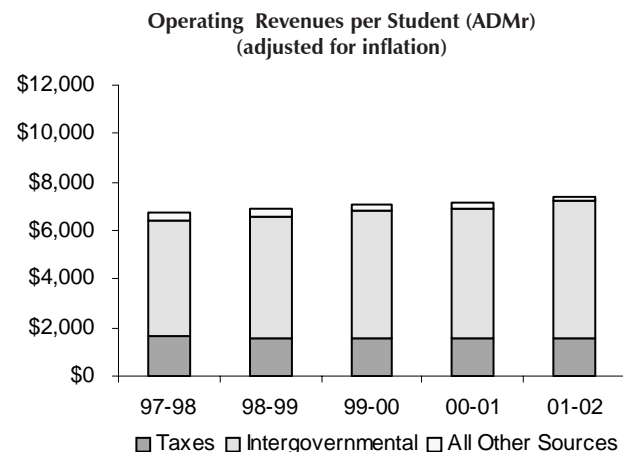
Revenues determine the capacity of the District to provide services. These indicators include only operating revenues, which consist of the District's general fund and special revenue funds. Debt service funds which include property taxes levied for repayment of general obligation bonds are not included, nor are loans or bond proceeds included. The five indicators included in this report are:

- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surplus or Shortfall

### Operating Revenues per Student

When adjusted for inflation, total operating revenues have increased 27% from \$55.6 to \$70.8 million. This increase was 11% on a per student basis from \$6,708 to \$7,414.

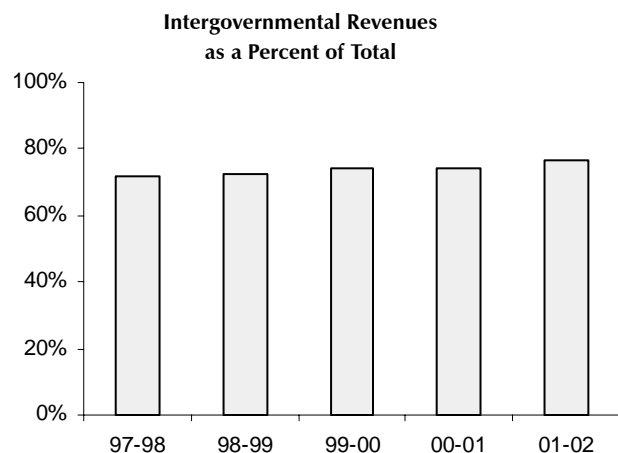
In SY01-02 revenues from taxes for operations made up 21% of the total, from intergovernmental sources 76%, and other sources 3%.



### Intergovernmental Revenues

Intergovernmental revenues show the District's dependence on resources from state or federal governments. For Oregon schools the state support which replaced the property tax based system is a significant part of operating revenues.

In SY01-02 intergovernmental revenues made up 76% of the District's operating revenues; 92% of this amount was from state sources and 8% from various other governmental grants.

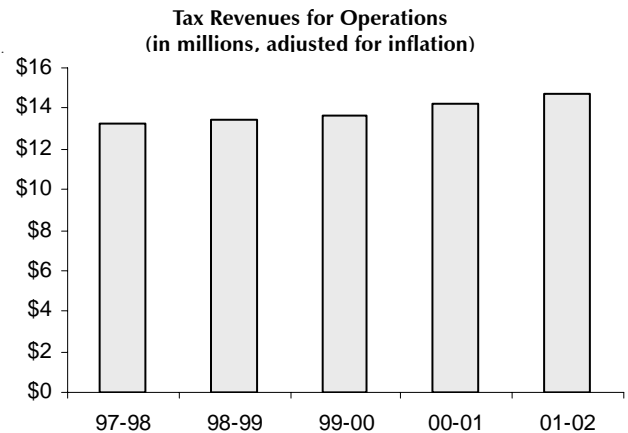




## Tax Revenues for Operations

Although property taxes are no longer the major funding source for schools, they do represent a large portion of operating revenues.

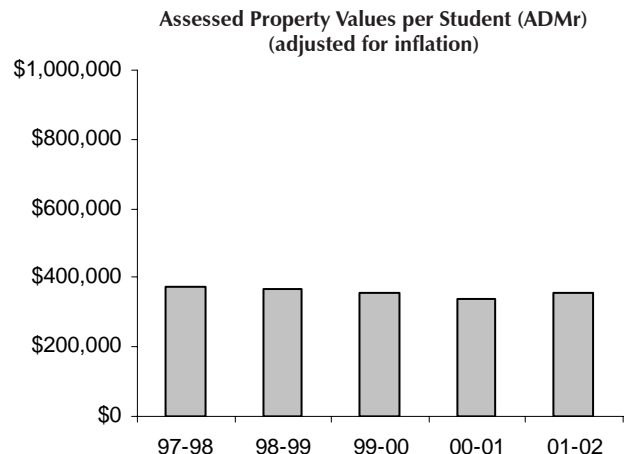
Property taxes for the District's operations increased 11% when adjusted for inflation. This increase is caused by an increase in property valuation as property tax rates for operations have not changed over the last five years. Tax revenues for general obligation bond debt repayment are not included here.



## Assessed Property Values per Student

The assessed property values represent the ability of the District to support the needs of its schools. This is one indicator of affordability to the taxpayer of levies and construction bonds.

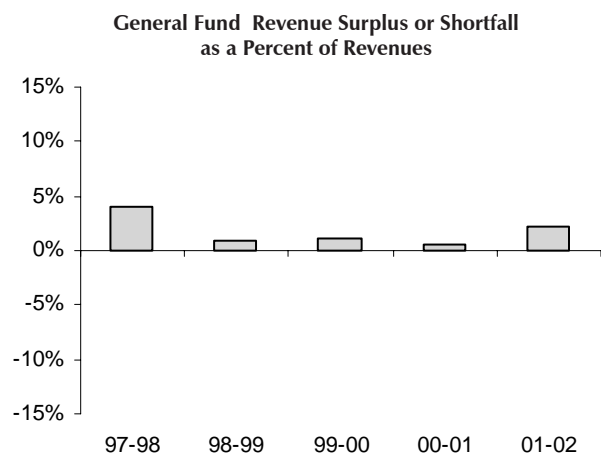
The total assessed property values for the District was approximately \$3.4 billion in SY01-02. The assessed value per student has decreased 5% from \$375,000 in to \$358,000.



## General Fund Revenue Forecasting

This indicator examines the differences between budgeted revenue estimates and revenues actually received for the District's general fund.

Budgeting state school support is extremely difficult for schools in Oregon; the District's budgeted surplus in the general fund was under 4% over the last five years.



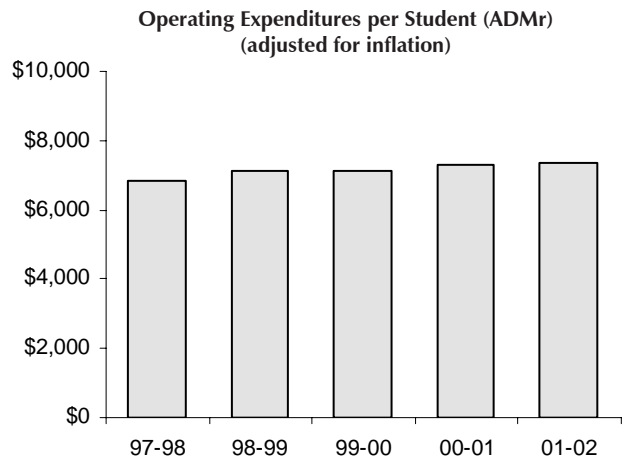
Expenditures are a rough measure of a local government's service output. Because Oregon governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will create a long-run imbalance. Some of the more common ways are to borrow or use reserves. Other ways are to defer maintenance of assets or defer funding a future liability such as a pension plan. Operating expenditures include the general fund and special revenue funds; and do not include funds for repayment of long-term debt or for capital projects. Expenditure indicators include:

- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

### Operating Expenditures per Student

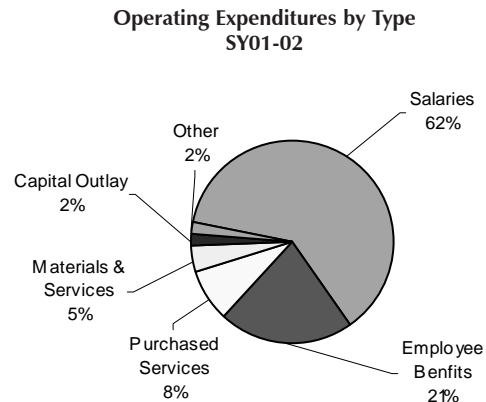
Expenditures per student reflects both changes in expenditures and in student populations.

The total operating expenditures increased 25% when adjusted for inflation. However, operating expenditures per student only increased 8% from \$6,811 to \$7,361.



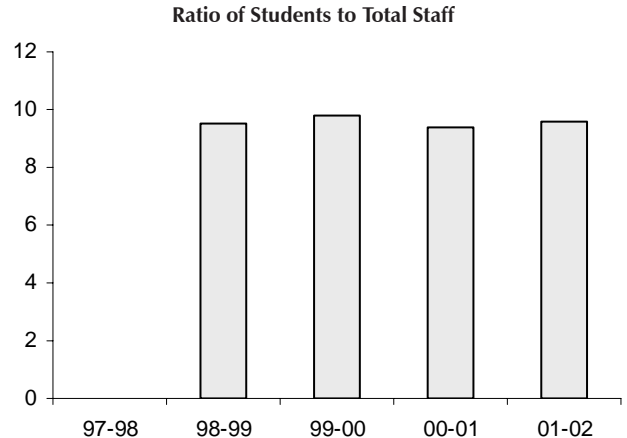
### Operating Expenditures by Type

Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, pension costs and life insurance. Purchased services generally are for things such as legal, audit and specialized health and occupational services; and supplies and materials include items such as paper, pens, pencils and repair parts.



## Ratio of Students to Total Staff

The ratio of students to total staff increased from 9.5 students to 1 staff in SY98-99 to 9.6 students to 1 staff in SY01-02. Total staff increased 10.9%.



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and education assistants are included in Classroom Instruction.
- Student/Classroom Support are staff who provide services directly for students such as counseling, treatment, speech, and health services; staff who work in extracurricular activities, staff who work in libraries, and staff who work on improving the quality of classroom instruction or developing teacher skills.
- Staff who work at managing or supporting the operation of a particular school are included in Individual School Administration.
- Individual School Support includes staff who work in services that keep individual school buildings operating and functional such as maintaining the school building, transportation, technology, and food services.
- Central Support and Administration include the Board of Education, Superintendent's Office, business, fiscal, information services, planning and research.

Number of staff:	SY97-98	SY98-99	SY99-00	SY00-01	SY01-02
Classroom Instruction*		567.3	586.0	612.6	650.2
Student/Classroom Support		110.5	106.8	98.1	74.9
Individual School Administration		23.0	23.0	23.0	23.0
Individual School Support		161.9	163.2	199.3	208.8
Central Support & Administration		30.1	29.9	35.1	33.5
Total Staffing		892.8	908.9	968.1	990.4

\*Includes teachers and educational assistants

Operating position indicators measure the ability of a district to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating position:

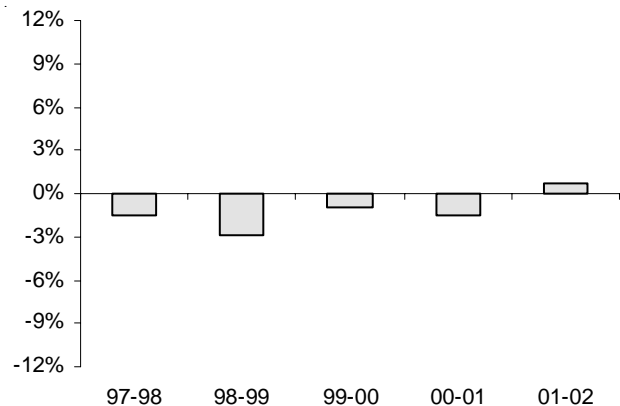
- Operating Surplus or Deficit
- Unreserved Fund Balances

### Operating Surplus or Deficit

Operating surplus or deficit is the difference between revenues and expenditures. Surpluses may be caused by unexpected revenue increases, transfers from non-operating funds, or budgeted to increase reserves. Deficits may occur if revenues are less than expected or when reserves or transfers from non-operating funds are used to maintain current operations.

The District's operating surpluses and deficits have been under 3% over the last five years.

Operating Surplus or Deficit  
as a Percent of Revenues

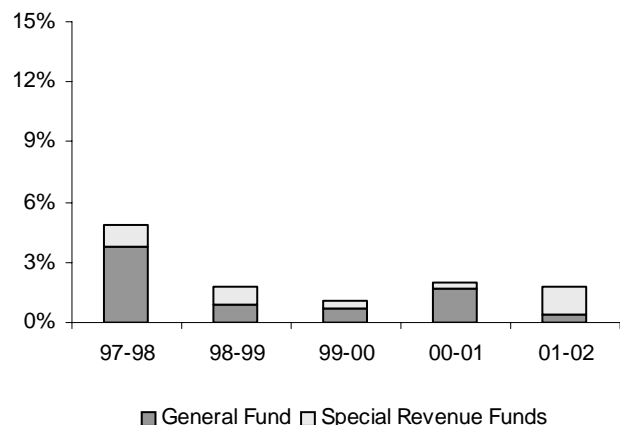


### Unreserved Fund Balances

The size of a district's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow.

The unreserved fund balances for the general fund decreased from 3.8% to 0.4% and increased for special revenue funds from 1.1% to 1.3%.

Unreserved Fund Balances  
as a Percent of Revenues



Debt is an effective way to finance capital improvements and to even out short-term revenue flows. Districts often use Tax Anticipation Notes for short-term financing. These are generally repaid by the end of the fiscal year. The most common forms of long-term debt are general obligation bonds, Certificates of Participation, or revenue bonds. Under the most favorable circumstances, a local government's debt is proportional in size and rate of growth to its tax base; does not extend past the useful life of the facilities that it finances; is not used to balance the operating budget; does not require repayment schedules that put excessive burdens on operating expenditures; and is not so high as to jeopardize the government's credit rating. Debt indicators are:

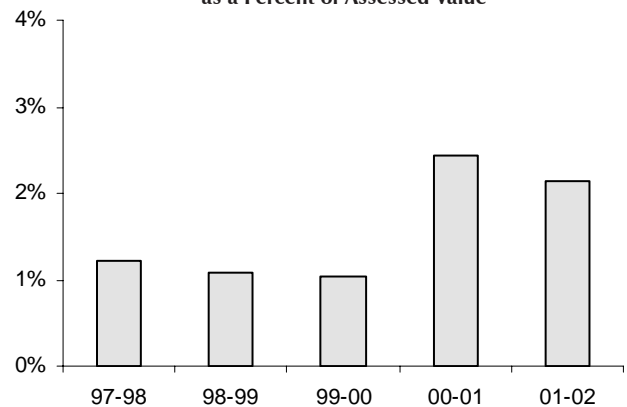
- Long-Term Debt
- Debt Service per Student

## Long-Term Debt

Long-term debt as a percentage of assessed property values reflects the ability of the district tax base to cover debt. Debt repayments for general obligation bonds are approved by voters and are outside the property tax limitations.

Most of the District's long-term debt is in voter approved general obligation bonds. The District has maintained a ratio under 3% over the last five years with the ratio increasing from 1.2% to 2.1%. The increase was from voter approved general obligation bonds of \$45 million issued in December 2000.

Total Long-term Debt  
as a Percent of Assessed Value

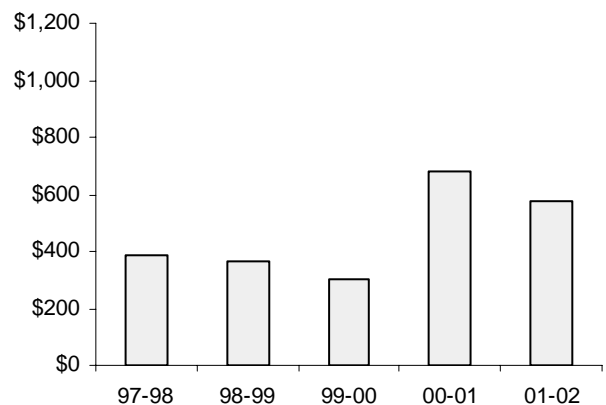


## Debt Service per Student

Debt service represents the annual payments of interest and principal on long-term debt. Most of the long-term debt service is funded from voter approved general obligation debt levies, which are non-operating revenue sources. Long-term debt is generally for new school buildings or needed renovations or technology and equipment needs.

Debt service per student has increased 49% from \$386 to \$575. The increase is from the general obligation bond issued in December 2000.

Debt Service per Student (ADMr)  
(adjusted for inflation)



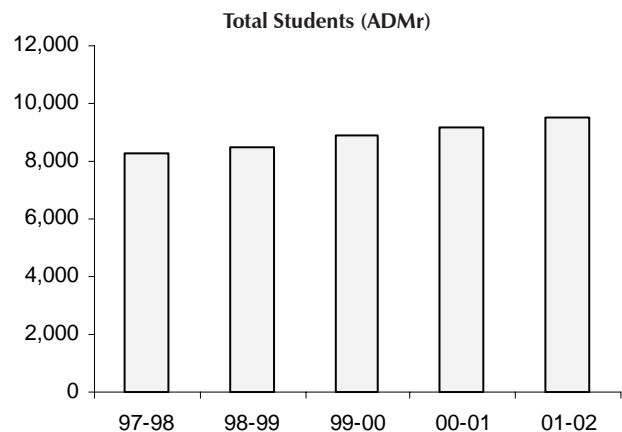
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community needs and resources are difficult to translate into indicators because the data are not easy to gather. The indicators shown here represent only those for which some data were reasonably available. These are.

- Number of Students
- Percent of Students Eligible for Free or Reduced Price Lunches
- Property Values
- Unemployment and Business Activity

### Number of Students

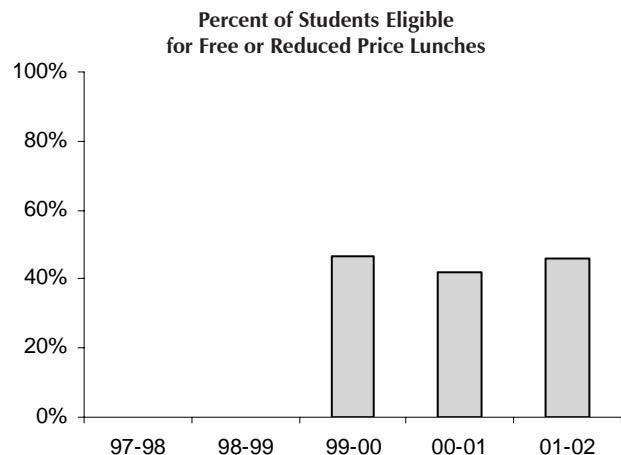
For schools a rapid increase in average number of students has a direct affect on the district's ability to provide adequate services.

The District had a 15% growth in the average number of students over the last five years from 8,283 to 9,547.



### Percent of Students Eligible for Free or Reduced Price Lunches

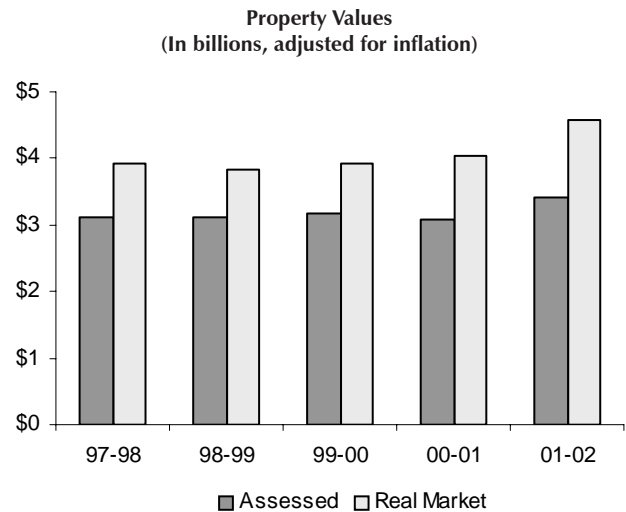
Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.



## Property Values

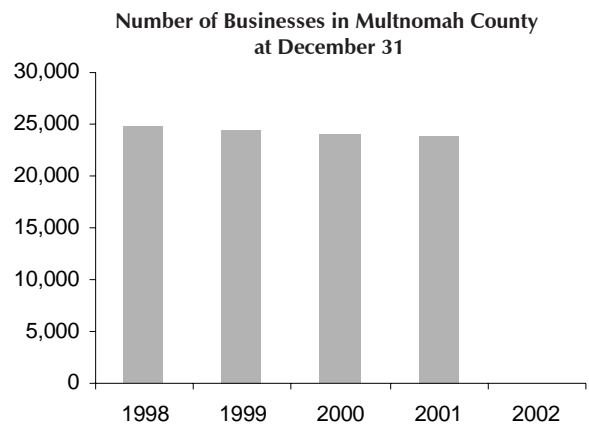
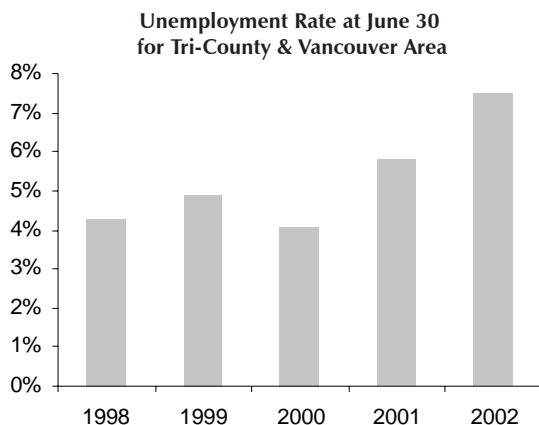
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of the economic growth and health of the District.

The total property value for the District has increased 9% for assessed value and 18% for real market value when adjusted for inflation.



## Unemployment and Business Activity

The unemployment rate and number of business are two of a number of economic indicators for an area. For the Portland Metropolitan area the unemployment rate has continued to grow; and the numbers of businesses has declined. The financial health of the district is dependent on the economic health of both the local area and the state as a whole. The economic decline in Oregon has had an impact on school funding and the ability of tax payers to relieve the declining revenues.



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## Trends

## Riverdale School District

### Strengths

- Used unreserved fund balances to offset losses in state funding
- Strong assessed property value per student
- Decreased staff with increasing student populations
- Spending per student decreasing faster than inflation
- Five year local options levy passed
- Moderate growth in assessed property values

### Challenges

- Declining revenues per student
- Decreasing unreserved fund balances
- Low unreserved fund balances
- Five year local option levy passed
- Large increase in number of students

## Background

### History

Riverdale Grade School was established in 1888. Additional buildings have been constructed and remodeled over the years. Riverdale High School was established in 1996.

### Operations

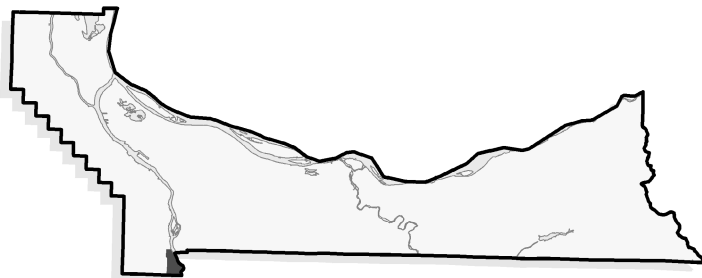
The five directors, who serve without compensation, are elected at large to four-year terms. Education programs are conducted at one elementary school and one high school facility. Riverdale High School is located on Terwilliger Blvd. outside of District boundaries.

### Financial

In March 1996 District voters approved the issuance of \$10.55 million in general obligation bonds to provide revenue to construct, furnish, and equip a high school and replace the grade school gym and two additional classrooms. In November 2000 Riverdale passed a five year local option levy of \$.6550 per thousand of assessed value.

### Location

Riverdale School District boundaries encompass a two square mile area. An estimated population of 2,100 is served by the District primarily in the unincorporated area between the cities of Portland and Lake Oswego. Boundaries also include a minor portion of the City of Portland and extend into Clackamas County.



Revenues determine the capacity of the District to provide services. These indicators include only operating revenues, which consist of the District's general fund and special revenue funds. Debt service funds which include property taxes levied for repayment of general obligation bonds are not included, nor are loans or bond proceeds included. The five indicators included in this report are:

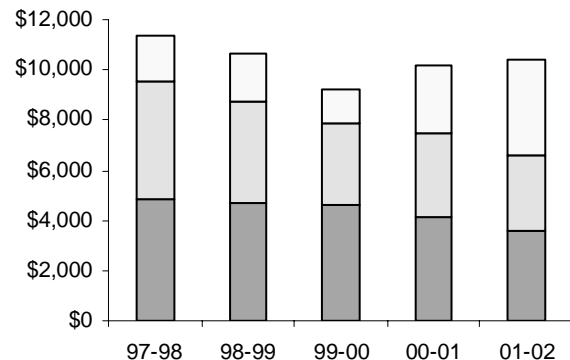
- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surplus or Shortfall

## Operating Revenues per Student

When adjusted for inflation, total operating revenues have increased 18% from \$4 to \$4.7 million. However, operating revenues on a per student basis decreased 8% from \$11,328 to \$10,417.

In SY01-02 revenues from taxes for operations made up 34% of the total, from intergovernmental sources 29%, and other sources 37%.

Operating Revenues per Student (ADMr)  
(adjusted for inflation)



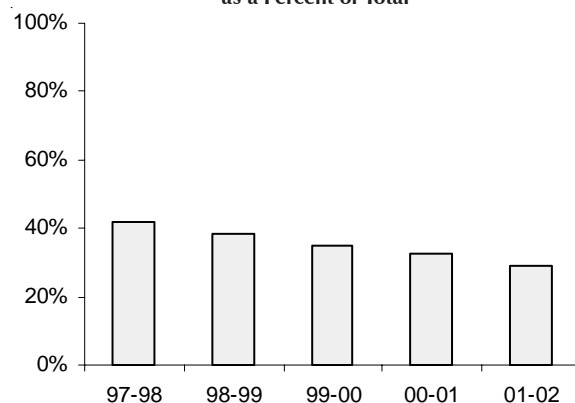
■ Taxes for Operations ■ Intergovernmental ■ All Other Sources

## Intergovernmental Revenues

Intergovernmental revenues show the District's dependence on resources from state or federal governments. For Oregon schools the state support which replaced the property tax based system is a significant part of operating revenues.

In SY01-02 intergovernmental revenues made up 29% of the District's operating revenues; 97% of this amount was from state sources and 3% from various other governmental grants.

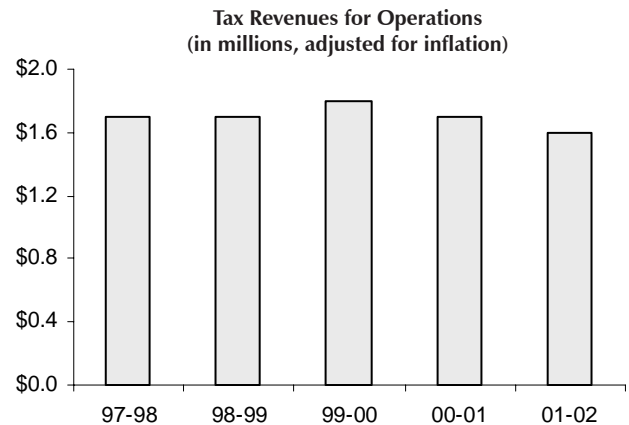
Intergovernmental Revenues  
as a Percent of Total



## Tax Revenues for Operations

Although property taxes are no longer the major funding source for schools, they do represent a large portion of operating revenues.

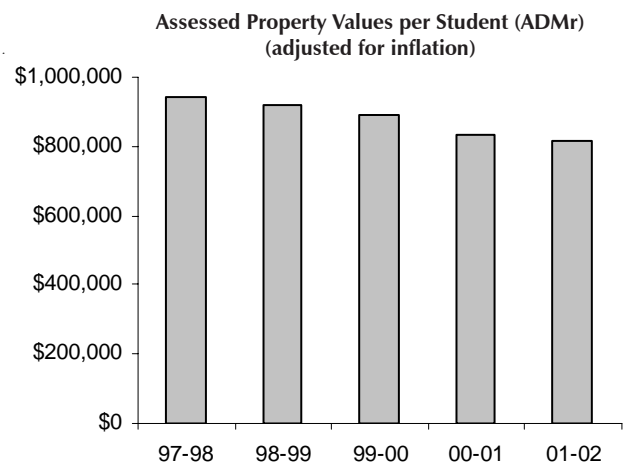
Property taxes for the District's operations decreased 5% when adjusted for inflation. Property taxes made up 43% of operating revenues in SY97-98 and 34% in SY01-02. Tax revenues for general obligation bond debt repayment are not included here.



## Assessed Property Values per Student

The assessed property values represent the ability of the District to support the needs of its schools. This is one indicator of affordability to the taxpayer of levies and construction bonds.

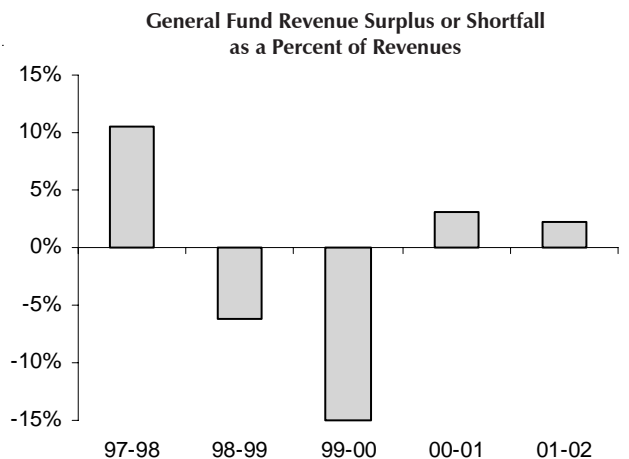
The total assessed property values for the District was approximately \$370 million in SY01-02. The assessed value per student has decreased 13.6% from \$943,000 to \$815,000.



## General Fund Revenue Forecasting

This indicator examines the differences between budgeted revenue estimates and revenues actually received for the District's general fund.

Budgeting state school support is extremely difficult for schools in Oregon; the District's budgeted surplus in the general fund was 11% in SY97-98 and 2% in SY01-02.



Expenditures are a rough measure of a local government's service output. Because Oregon governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will create a long-run imbalance. Some of the more common ways are to borrow or use reserves. Other ways are to defer maintenance of assets or defer funding a future liability such as a pension plan. Operating expenditures include the general fund and special revenue funds; and do not include funds for repayment of long-term debt or for capital projects. Expenditure indicators include:

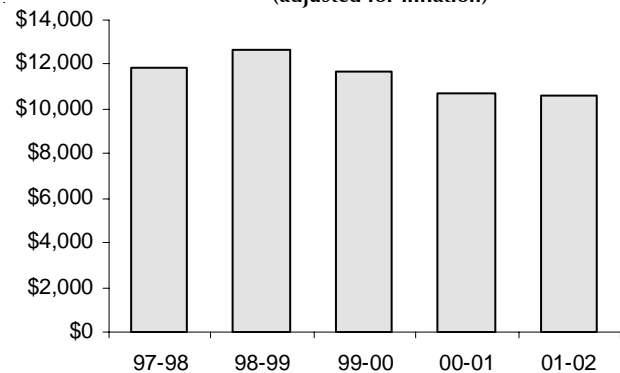
- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

### Operating Expenditures per Student

Expenditures per student reflects both changes in expenditures and in student populations.

The total operating expenditures increased 14% when adjusted for inflation. Expenditures per student decreased 11% from \$11,881 to \$10,576 due to the large increase in the number of students.

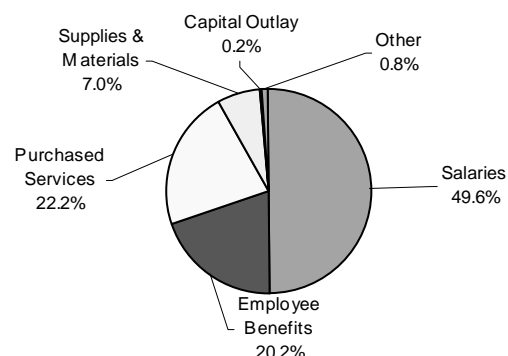
Operating Expenditures per Student (ADMr)  
(adjusted for inflation)



### Operating Expenditures by Type

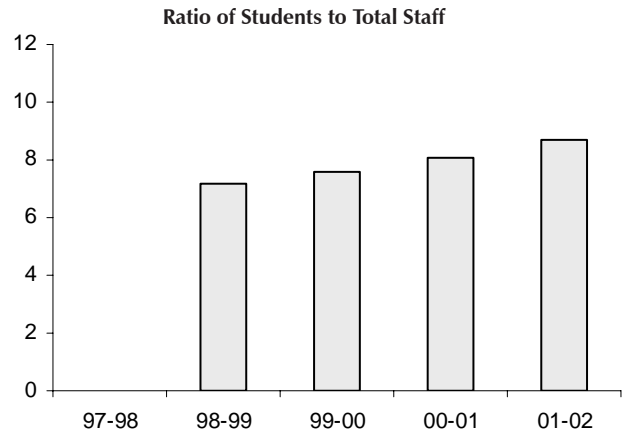
Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, pension costs. Purchased services generally are for things such as professional services; and supplies and materials include items such as paper, instructional materials and textbooks.

Operating Expenditures by Type  
SY01-02



## Students to Total Staff

The ratio of students to total staff has increased over the last four years from 7.2 students to 1 staff to 8.7 students to 1 staff. Total staff has increased 1.9%.



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and education assistants are included in Classroom Instruction.
- Student/Classroom Support are staff who provide services directly for students such as counseling, treatment, speech, and health services; staff who work in extracurricular activities, staff who work in libraries, and staff who work on improving the quality of classroom instruction or developing teacher skills.
- Staff who work at managing or supporting the operation of a particular school are included in Individual School Administration.
- Individual School Support includes staff who work in services that keep individual school buildings operating and functional such as maintaining the school building, transportation, technology , and food services.
- Central Support and Administration include the Board of Education, Superintendent's Office, business, fiscal, and information services, and planning and research.

Number of staff:	SY97-98	SY98-99	SY99-00	SY00-01	SY01-02
Classroom Instruction*		38.0	37.2	38.2	37.2
Student/Classroom Support		3.6	3.6	3.6	4.3
Individual School Administration		4.0	4.0	4.0	4.0
Individual School Support		2.7	2.3	2.0	6.4
Central Support & Administration		3.0	3.5	3.8	3.8
Total Staffing		51.3	50.6	51.6	55.7

\*Includes teachers and educational assistants

Operating position indicators measure the ability of a district to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating position:

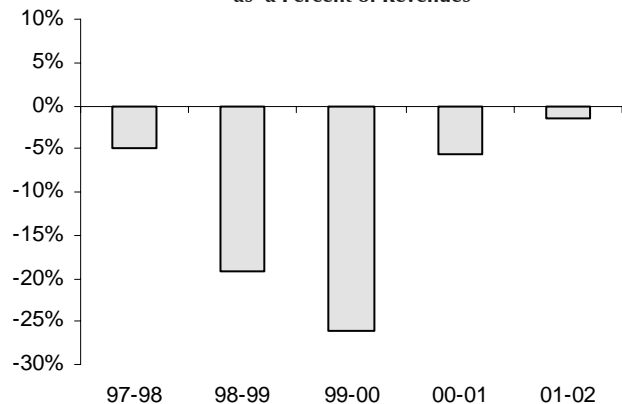
- Operating Surplus or Deficit
- Unreserved Fund Balances

### Operating Surplus or Deficit

Operating surplus or deficit is the difference between revenues and expenditures. Surpluses may be caused by unexpected revenue increases, transfers from non-operating funds, or budgeted to increase reserves. Deficits may occur if revenues are less than expected or when reserves or transfers from non-operating funds are used to maintain current operations.

The District's operating deficits were high in SY98-99 and SY99-00 because the District used planned reserves during those years as noted in the indicator for unreserved fund balances.

Operating Surplus or Deficit  
as a Percent of Revenues

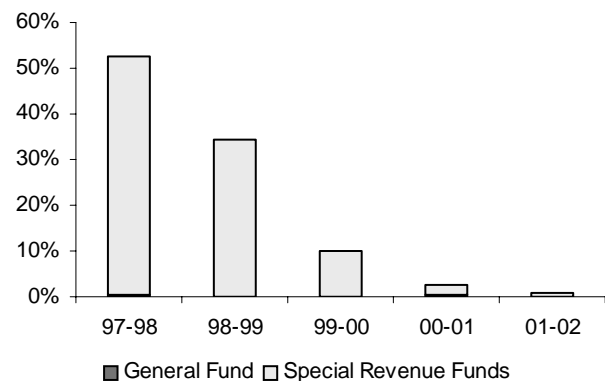


### Unreserved Fund Balances

The size of a district's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow.

The unreserved operating fund balances have been decreasing as the District used planned reserves to meet expected funding deficits.

Unreserved Fund Balances  
as a Percent of Revenues



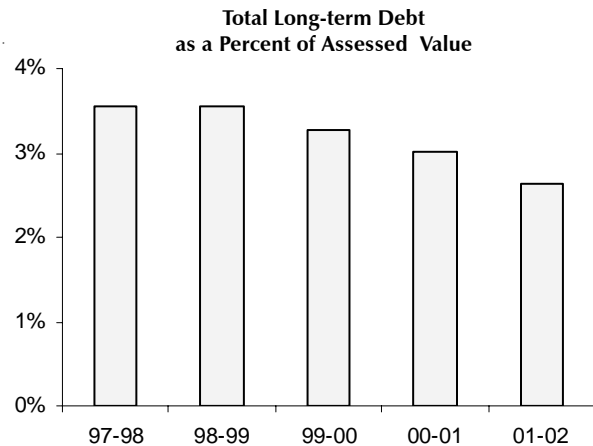
Debt is an effective way to finance capital improvements and to even out short-term revenue flows. Districts often use Tax Anticipation Notes for short-term financing. These are generally repaid by the end of the fiscal year. The most common forms of long-term debt are general obligation bonds, Certificates of Participation, or revenue bonds. Under the most favorable circumstances, a local government's debt is proportional in size and rate of growth to its tax base; does not extend past the useful life of the facilities that it finances; is not used to balance the operating budget; does not require repayment schedules that put excessive burdens on operating expenditures; and is not so high as to jeopardize the government's credit rating. Debt indicators are:

- Long-Term Debt
- Debt Service per Student

### Long-Term Debt

Long-term debt as a percentage of assessed property values reflects the ability of the district tax base to cover debt. Debt repayments for general obligation bonds are approved by voters and are outside the property tax limitations.

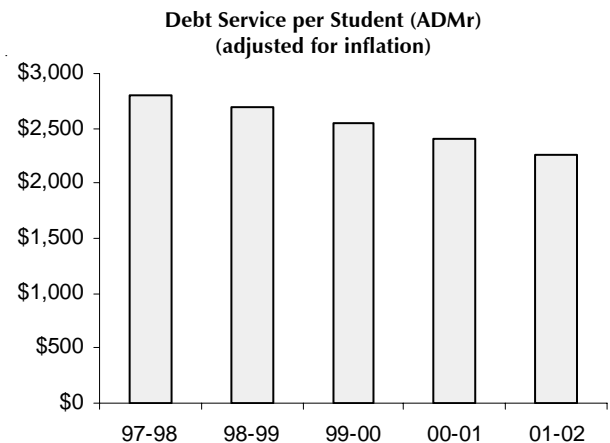
All of the District's long-term debt is in voter approved general obligation bonds. The District has maintained a ratio under 4% over the last five years with the ratio decreasing from 3.6% to 2.6%.



### Debt Service per Student

Debt service represents the annual payments of interest and principal on long-term debt. Most of the long-term debt service is funded from voter approved general obligation debt levies, which are non-operating revenue sources. Long-term debt is generally for new school buildings or needed renovations or technology and equipment needs.

Debt service per student has been declining from \$2,805 in SY97-98 to \$2,266 in SY01-02.



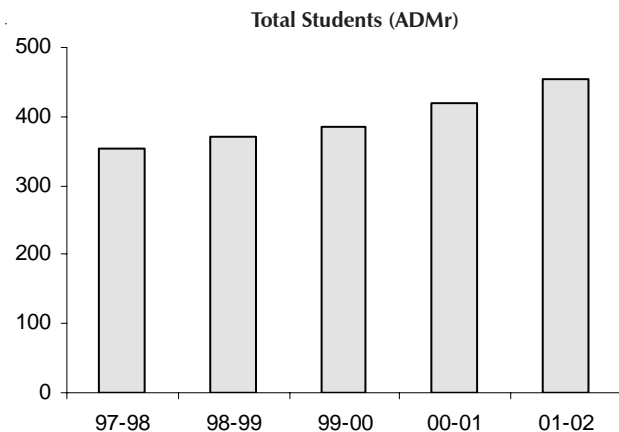
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community needs and resources are difficult to translate into indicators because the data are not easy to gather. The indicators shown here represent only those for which some data were reasonably available. These are:

- Number of Students
- Percent of Students Eligible for Free or Reduced Price Lunches
- Property Values
- Unemployment and Business Activity

### Number of Students

For schools a rapid increase in average number of students has a direct affect on the District's ability to provide adequate services.

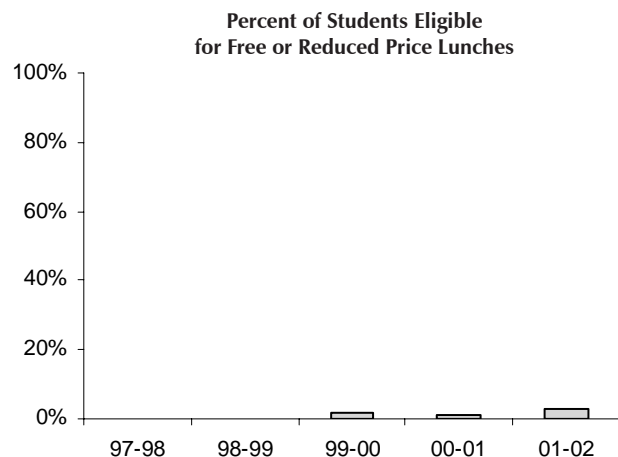
The average number of students in the District has grown 28% over the last five years from 354 to 454.



### Percent of Students Eligible for Free or Reduced Price Lunches

Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.

The District did not have a school-lunch program for the years covered in this report.

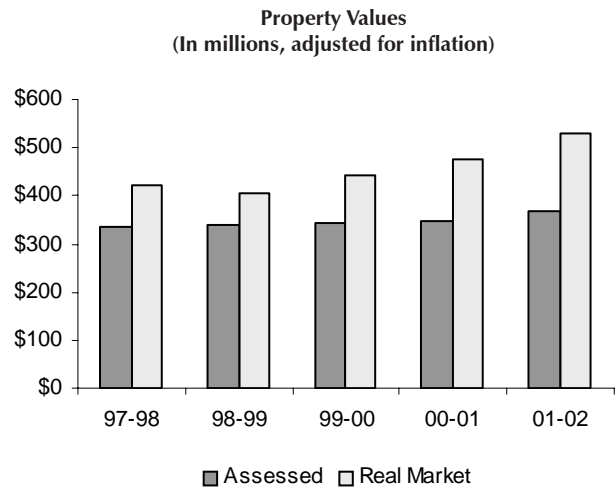




## Property Values

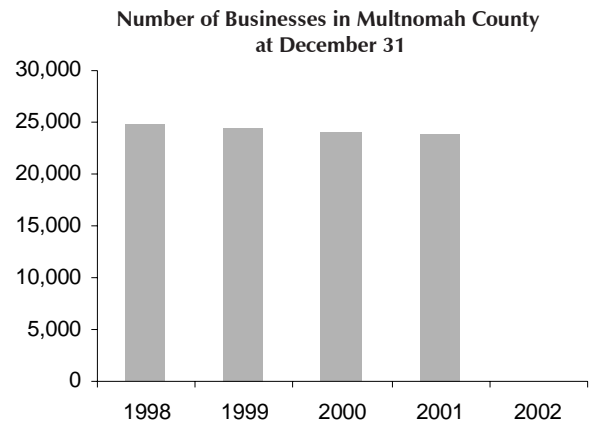
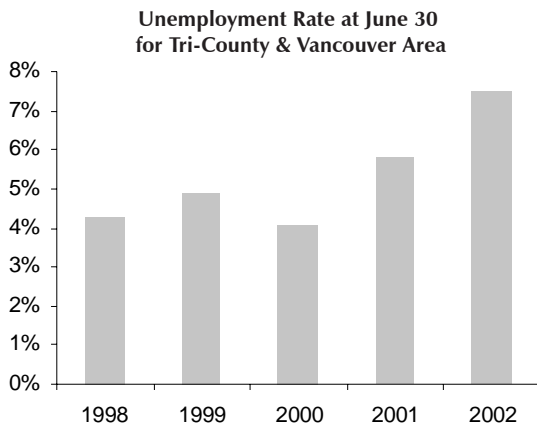
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of the economic growth and health of the District.

The total property value for the District has increased 11% for assessed value and has increased 26% for real market value when adjusted for inflation.



## Unemployment and Business Activity

The unemployment rate and number of business are two of a number of economic indicators for an area. For the Portland Metropolitan area the unemployment rate has continued to grow; and the numbers of businesses has declined. The financial health of the district is dependent on the economic health of both the local area and the state as a whole. The economic decline in Oregon has had an impact on school funding and the ability of taxpayers to relieve the declining revenues.



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## Scope and Methodology

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In May 2003, voters approved Ballot Measure 26-48 which created a county personal income tax. This three-year tax measure raises funds to prevent further cuts to Multnomah County's public schools and to social service and public safety programs. Included in the tax measure was a requirement that the City of Portland and Multnomah County Auditors' Offices conduct performance audits of the school districts.

The objective of this report is to evaluate the financial condition of the eight school districts within Multnomah County using the Financial Trend Monitoring System developed by the International City and County Management Association published in *Evaluating Financial Condition – A Handbook for Local Governments*. This report will help in developing an audit schedule for the next three years and allows the public to assess the financial health of their school districts. We will also be preparing a second report that addresses education services and outcomes among the districts.

For the purposes of this report, we defined operating revenues as the school districts' general fund and special revenue funds. Debt service funds which included property taxes levied for repayment of general obligation bonds were not included, nor were loans or bond proceeds. We obtained most financial and expenditure data from the Comprehensive Annual Financial Reports produced by the districts. Some supplementary financial information was obtained from the Tax Supervising and Conservation Commission's annual reports. The districts supplied us with descriptive information and staffing data. We relied on the Oregon Department of Education for student counts and information about students eligible for free and reduced price lunches.

This financial condition analysis did not include all the recommended financial indicators which are generally reported because we relied primarily on published financial information in public documents. Other useful indicators would include trends for restricted or temporary revenue sources. Trends for fixed costs and unfunded liabilities, and trends for maintenance efforts and capital plant would also be included.

Data are presented on a school year basis which runs from July 1 through June 30. For example, SY01 represents information from the period July 1, 2000 to June 30, 2001. When appropriate, dollar amounts were adjusted to eliminate the effects of inflation and make the amounts comparable from year-to-year.

According to ICMA, the analysis of the financial condition of a government requires the close attention of the chief executive or the finance director. For this analysis, we worked with all the districts' business officials for the following:

- Ensuring a consistent definition of the indicators, while addressing the uniqueness of the community and the local government
- Interpreting the indicators' significance
- Developing responses to the study's findings.

The analysis in this report is based on three important considerations:

1. No single indicator is conclusive. All the indicators chosen for this study have been examined in concert with other geographic and administrative characteristics of the jurisdiction.
2. Indicators have been adjusted for material changes in the basis of accounting or reporting which would have an impact on the indicator.
3. The benchmarks used by the credit-rating firms (see the individual indicator descriptions) are not universal standards but guidelines that are evaluated in light of the characteristics of each community.

This work was completed in accordance with generally accepted government auditing standards.

## **Responses**

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## PORTLAND PUBLIC SCHOOLS

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### FINANCE DEPARTMENT

If your teenager came home and announced she scored 70, you would know how to react only if you knew to what this score referred. Was she golfing, or bowling, or had she just received the results of a math test? Knowing the context is critical to understanding what the score means. We appreciate the auditor's note that "this report does not necessarily trace disparities or trends back to their causes, because it is intended to be a broad diagnostic scan. These graphs are intended only to raise questions." However, experience tells us that many readers are quick to jump to answers if context is not immediately supplied. Many of the challenges facing K-12 education in Oregon are common to all school districts in Multnomah County. Other challenges are unique to each district. To help evaluate these financial measures within a proper context, the following comments are provided.

#### General Comments:

**State School Funding Formula.** The report carefully describes the fundamental shift that occurred in school funding since 1990. Measure 5 shifted responsibility for education funding from local to state government. In 1991 the Legislature adopted a formula to equalize school funding. Funding is now calculated on a per student basis with adjustments for local revenues received and with adjustments for such factors as poverty, special education, teen parents, and English language learners, among others. The State School Funding Formula allocates these funds among school districts. Each school district receives the difference between the formula allocation and the local property taxes collected by the district. In effect, this system "captures" local property taxes (except for a limited amount of local option taxes) for redistribution statewide.

The report includes several measures related to property taxes and states "assessed property values represent the ability of the district to support the needs of its schools". We recognize that this is a traditional measure and that it has value in discussing potential changes to Oregon's funding system. However, under our current system, we are afraid it communicates more local funding ability than actually exists through the property tax. In fact, most of the property taxes imposed by school districts in Multnomah County are "captured" by the state, and the districts depend largely on the legislature for their funding.

#### Data Comparisons Over Time:

The report shows how various data have changed over time. In general, these trend analyses cover the period from 1997-98 through 2001-02. In Portland Public Schools case, interpreting these data are difficult for the following reasons:

**Changes in FTE accounting.** The numbers presented imply that total staff increased by 2.9% over the five-year period and that student to staff ratios have declined. Indeed, these were the numbers the district reported in those years. However, in the past the district did not account for all employees as FTE. Many employees were not counted as FTE at all (bus drivers, many other-funded employees, less than half-time employees, and temporary miscellaneous employees). In other categories, full-time employees were counted as half-FTE (education assistants, secretaries, and other clerical workers). Over the last ten years the district gradually corrected these disparities and greatly reduced the use of the temporary miscellaneous category. The last major correction was in February 2001, when the district implemented PeopleSoft systems for human resources and payroll processing and reporting.

Due to lack of resources, the district has not gone back to re-estimate district-wide FTE on a consistent basis in periods before 2000-01. However it has prepared a comparison of General Fund FTE for 1990(pre-Measure 5) to 2000-01 and later years. It is available upon request.

**Inflation.** Several financial measures are adjusted for a general measure of inflation. Using a general measure of inflation is misleading. School district costs over the examined period have been driven largely by four factors: health care costs, which rose much faster than inflation; PERS costs, which also rose faster than inflation; rising populations of higher cost students (special education and English language learners); and higher expectations for all students. To truly understand why school districts have been making significant budget cuts, these factors must be examined more fully.

### **Data Comparisons Among Districts:**

Data comparing Portland Public Schools to other districts can also be difficult to interpret, especially since this report uses data that combines general funds, grant funds, and special revenue funds. The difficulties arise largely for two reasons:

**Portland directly provides services that others get from other entities.** Many years ago, due to its large size, Portland Public Schools took responsibility for providing services that elsewhere are the responsibility of regional service providers. These services are grant-funded. Portland gets grant funds to directly provide the service while in the rest of the county the ESD gets and expends the funds. For example, during the years in this analysis, Portland directly ran birth-to-age-five special education programs. These costs are included in Portland's spending but not in other districts since they do not directly run the programs in their area. (Portland shifted this program to the MESD in 2003-04.)

A similar, though smaller, situation exists in the general fund. Portland receives the same per student allocation of ESD "resolution dollars" as other districts. However, Portland historically received much of its allocation in cash rather than services. Portland spends the cash directly, and this spending shows in the data. Other districts receive services that are provided by the MESD and do not show as spending in each district's budget. In the most recent year covered by the report, this amounted to about \$200 per student.

**Some Portland students are not counted.** Several financial measures are reported on a per-student basis. The report uses ADMr as its student count. ADMr is the average daily membership of resident students that are eligible under the state funding formula. However, ADMr does not include all students. For example, the birth-to-age-five students noted above are not eligible for general state funding so they are not included in ADMr. Thus, the costs are included in Portland spending but the students are not included in enrollment. Similar situations exist in other areas, such as parent-pay kindergartens (the tuition costs are included, but the students are not) and payments for students in state-responsibility programs.

These comments should not be interpreted to imply that differences do not exist among districts. They clearly do. The comments, rather, support the auditor's statements that they are designed to raise questions, not to provide answers. In Portland's case, we believe those answers are more complex than they might appear to the casual observer.

### **Unreserved Fund Balances:**

The report accurately portrays the operating position of the district over the period. The district spent down unreserved fund balance in order to minimize budget cuts in the classroom. The lack of adequate fund balances exacerbated the District's ability to withstand fluctuations in state funding, resulting in a larger mid-year budget crisis last year than would have otherwise occurred. The Board adopted a policy to rebuild the general fund unreserved balance by 1% per year up to 3% in 2004-05. The district achieved the first step in 2002-03, budgeted the next step in 2003-04, and expects to achieve the goal on or before the target date.