

# Financial Condition Multnomah County School Districts 2005



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# **Financial Condition of Multnomah County Schools**

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Attached is our second review of the financial condition of K-12 education in Multnomah County. In January 2004 we concluded that district finances were relatively sound. With three additional years of data we again conclude that, given the circumstances each district faces, financial management has been prudent. 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 at the beginning and end of our period of auditing the school districts as part of the tax measure creating the temporary County income tax.

Included in the body of this report 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.

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 a strong sense of understanding and capacity to manage within their circumstances.

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

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This is our second review of the financial condition of K-12 education in Multnomah County. In January 2004 we concluded that district finances were relatively sound. With three additional years of data we again conclude that, given the circumstances each district faces, financial management has been prudent. We note some areas where further scrutiny and vigilance would be worthwhile.

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 15 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. Our next and final report on Multnomah County School districts will address education services and outcomes.

Based on the 18 indicators we reviewed about the districts, the financial condition of K-12 education in Multnomah County is relatively sound, although the loss of 10% of revenue with the ending of the Multnomah County ITAX is a warning trend for most districts. The other financial indicators need to be considered in the context of the significant differences among districts in terms of student population, total staffing, geographical service area, and tax base.

	Average Number of Students (ADMr) FY04-05	Total Staff FY04-05	Geographical area (square miles)	Assessed Property Value (in billions) FY04-05
Centennial	6,260	717	21	\$1.70
Corbett	608	61	185	\$.25
David Douglas	9,259	807	12	\$2.30
Gresham-Barlow	11,761	1,067	54	\$4.10
Parkrose	3,468	360	15	\$2.50
Portland	44,233	5,048	146	\$30.50
Reynolds	10,328	1,015	27	\$3.88
Riverdale	460	61	2	\$4.29

Revenues	<p>In Multnomah County operating revenues per pupil varied from \$8,019 to \$16,819 in FY04-05. The variation between districts in FY04-05 is the result of the state funding formula which allows additional revenues for students with special needs and for teacher experience. Two districts also have a local option levy approved by their voters. Unlike the other districts, Riverdale relies upon “other sources” such as tuition for nearly 40% of its revenues, which increases uncertainty in its budget forecasting.</p> <p>In most districts, revenues have grown about 3% faster than inflation over the last eight years. Part of this growth is due to the voter-approved three-year Multnomah County Income Tax, representing about 10% of additional revenues in the last two years.</p>
Spending	<p>In most districts, expenditures per student have also grown about 3% faster than annual inflation over the eight-year period. Two districts, David Douglas and Parkrose, contained their costs to a growth rate of only 1% faster than annual inflation.</p> <p>It appears David Douglas was able to build reserves by increasing the students to staff ratio from 9.8 students per staff member seven years ago, to 11.5 in FY04-05. Among all the districts, the ratio of students per staff ranged from 7.6 students per staff to 11.5. Centennial had the largest decrease in the ratio from 11.3 students per staff in FY97-98 to 8.7 in FY04-05.</p> <p>The mix of spending for personnel, supplies, and capital is similar across school districts, though some districts contracted for more services, making some comparisons among districts difficult. Salaries were the largest expenditure, comprising around 55-60% of most district spending.</p>
Operating Position	<p>The levels of the unreserved and special revenue fund balances have improved. Most districts have set aside about 6% to 14% of revenues for budgetary uncertainties. However, David Douglas and Parkrose have built reserves of 24% and 27% respectively, due in part to the savings from controlling expenditures. There is no known standard for the “right” level of reserves, and the decision depends on the reliability of current analysis and an agency’s future revenues and needs. Determining the right balance between acceptable service levels and sufficient levels of savings is a policy decision subject to public accountability.</p>
Debt	<p>Overall, the level of debt in most of the districts is higher, but appears reasonable. In the last year Portland had a decline in debt with the end of its construction bonds. Long-term debt is an effective way for districts to finance capital improvement projects such as new school buildings, renovations, or technology needs.</p>
Community Needs	<p>Half of the districts had increasing numbers of students over the eight-year period and half showed declines. The percent of students who are eligible for free or reduced price meals has also increased substantially in most districts. The rate of free and reduced price meals is a proxy measure for poverty in the community served by a district.</p>

**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**

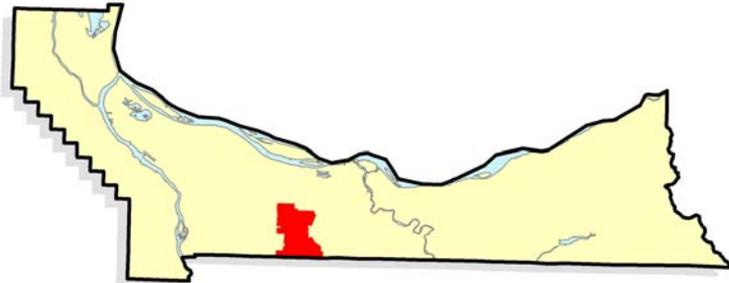
The seven directors who serve without compensation are elected at-large to four-year terms. Education programs are conducted in seven elementary schools, one middle school, one high school and one alternative school.

**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. Information about revenues from the County temporary income tax is shown separately. 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:

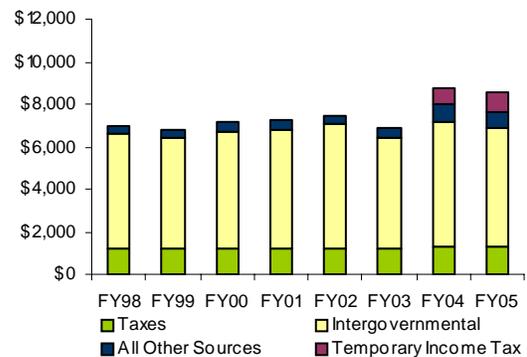
- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surpluses or Shortfalls

## Operating Revenues per Student

When adjusted for inflation, total operating revenues have increased 35% from \$39 to \$53 million since FY98. This increase was 22% on a per student basis from \$6,971 to \$8,533.

In FY05 revenues from property taxes for operations made up 15% of the total, from the temporary income tax 11%, from intergovernmental sources 65%, and from other sources 9%. (See Scope and Methodology for explanation of student measure.)

Operating Revenues per Student (ADM<sub>r</sub>)  
(adjusted for inflation)

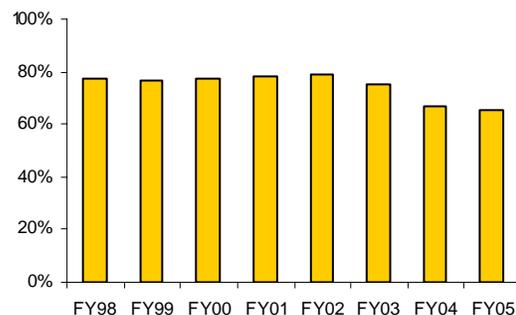


## Intergovernmental Revenues

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 FY05 intergovernmental revenues made up 65% of the District’s operating revenues; 88% of this amount was from state sources and 12% from various other governmental grants. Although intergovernmental revenues have actually increased from \$5.4 million in FY98 to \$5.6 million in FY05, the ratio to total revenue has decreased

Intergovernmental Revenues  
as Percent of Total

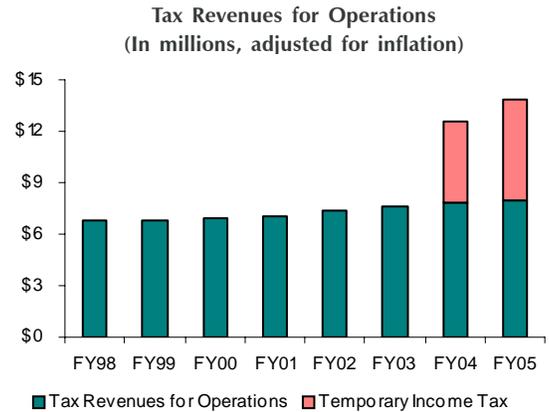


## Tax Revenues for Operations

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 Districts's operations increased 18% 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 eight years. Tax revenues for general obligation bond debt repayment are not included.

Tax revenues include the Multnomah County three-year temporary income tax. Revenues from the tax was \$4.6 million in FY04 and \$5.9 million for FY05

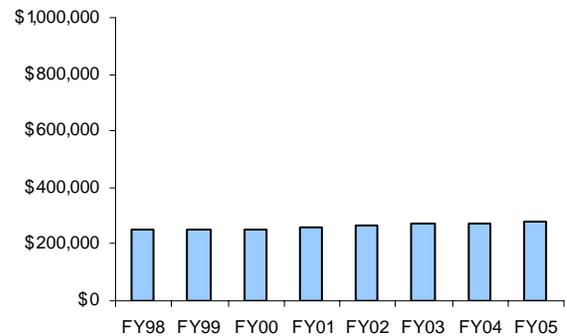


## Assessed Property Values per Student

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 for levies and construction bonds.

The total assessed property values for the District were approximately \$1.7 billion in FY05. The assessed value per student has increased 11% from \$251,000 to \$277,000

Assessed Property Value per Student (ADM<sub>r</sub>) (adjusted for inflation)

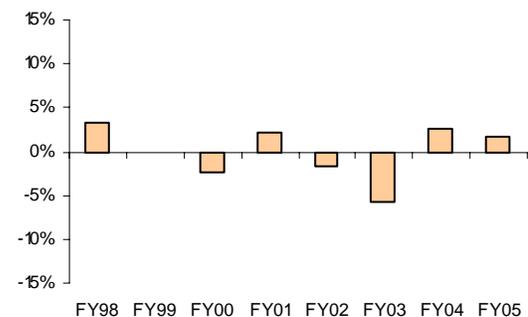


## General Fund Revenue Forecasting

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 surplus over budgeted revenue in the general fund was 3.2% in FY98 and 1.8% in FY05.

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:

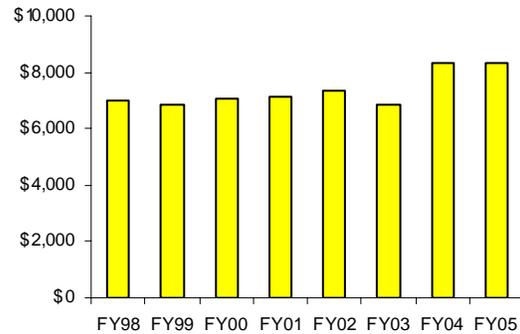
- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

## Operating Expenditures per Student

Expenditures per student accounts for both changes in expenditures and in student populations.

Total operating expenditures increased 32% when adjusted for inflation. However, because of an increase in the total number of students, operating expenditures per student only increased 19% from \$6,971 to \$8,305 during this time.

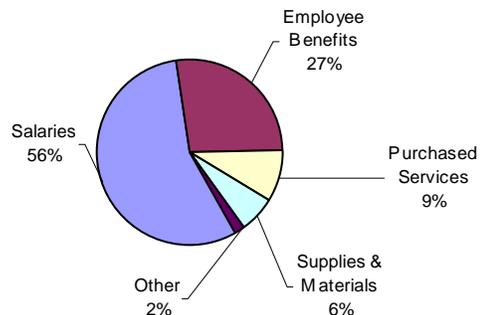
Operating Expenditures per Student (ADMr)  
(adjusted for inflation)



## Operating Expenditures by Type

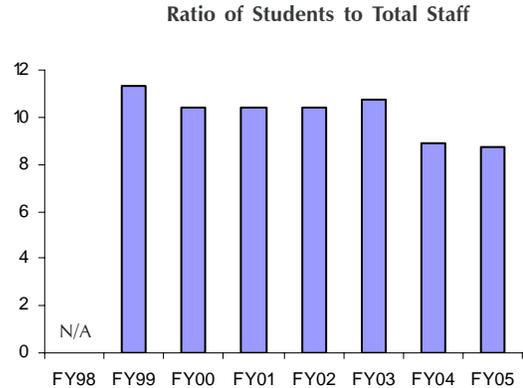
Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, and pension costs. Purchased services generally are for things such as professional services; and supplies and materials include items such as paper, instructional materials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

Operating Expenditures by Type  
FY05



## Ratio of Students to Total Staff

Ratio of students to total staff decreased; with a ratio of 11.3 students to 1 staff in FY99 and 8.7 students to 1 staff in FY05. Total staff increased by 40%



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and educational 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:	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Classroom Instruction*		297.7	348.6	342.9	364.8	359.4	373	379
Student/Classroom Support		72.7	50.2	56.1	53.7	53.4	145	161
Individual School Administration		23.4	27.3	27.8	27.8	27.8	16	16
Individual School Support		85.6	98.0	99.6	93.7	93.1	109	111
Central Support & Administration		31.0	37.1	43.0	42.3	40.2	53	50
Total Staffing		510.4	561.2	569.4	582.3	573.9	696	717

\*Includes teachers and educational assistants

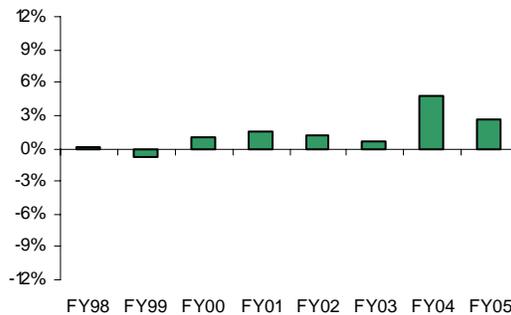
Operating position indicators measure the ability of a district to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating 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 budgeting that increases 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 has had operating surpluses in seven of the last eight years.

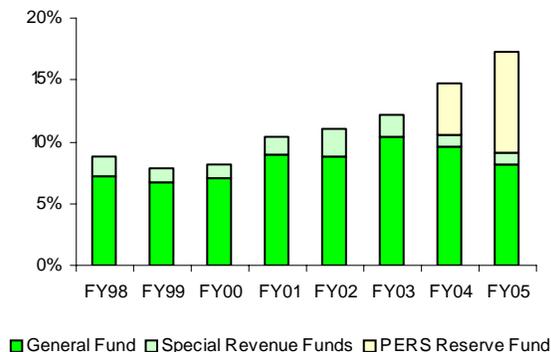
Operating Surplus or Deficit as a Percent of Revenues



## 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 increased over the last eight 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:

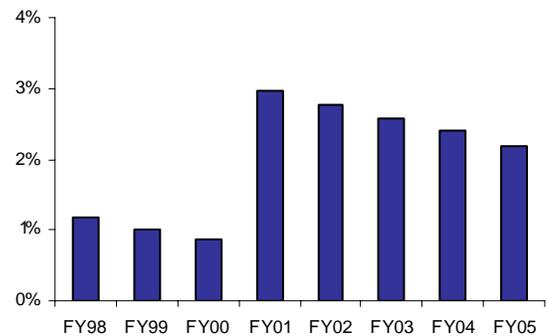
- Long-Term Debt
- Debt Service per Student

## 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 of 3% or less over the last eight years with the ratio increasing from 1.2% to 2.2% 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**

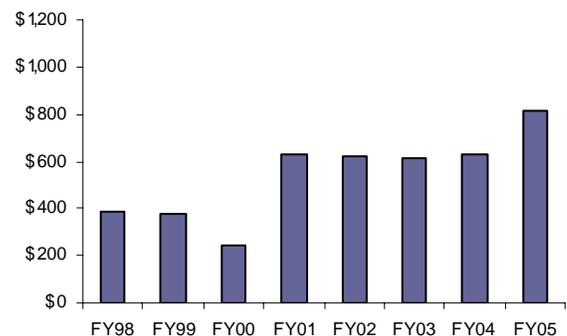


## Debt Service per Student

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 or needed renovations or technology and equipment needs.

Debt service per student increased 62% from \$384 to \$623 with a \$31 million sale of general obligation bonds for school improvements and repairs.

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



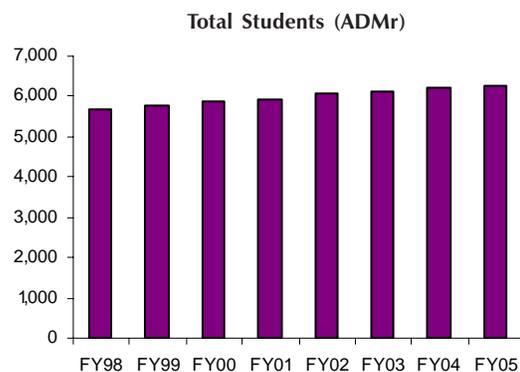
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community 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.

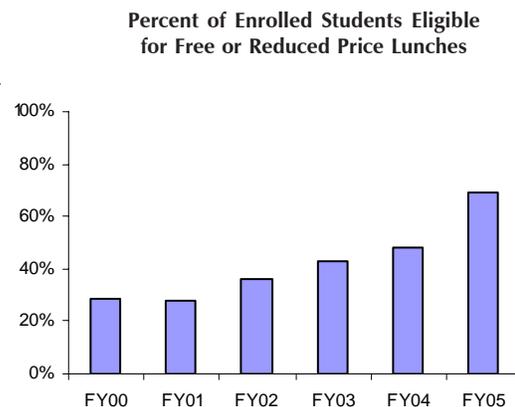
The District has grown 11% in the average number of students over the last eight years from 5,664 to 6,260.



## 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.

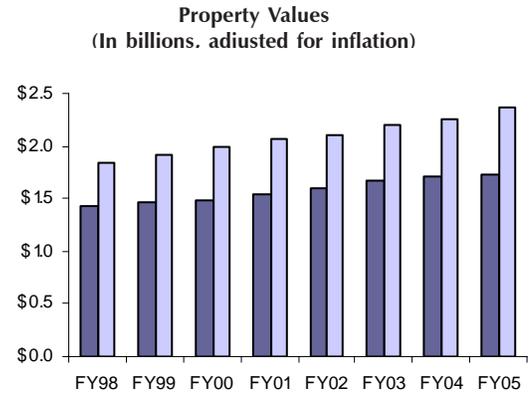
The percentage of students eligible for free or reduced price lunches has been increasing.



## Property Values

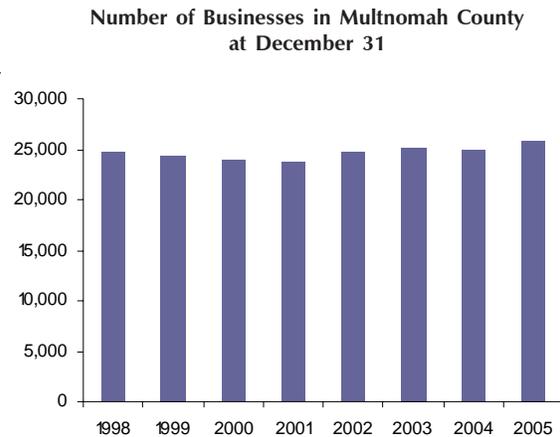
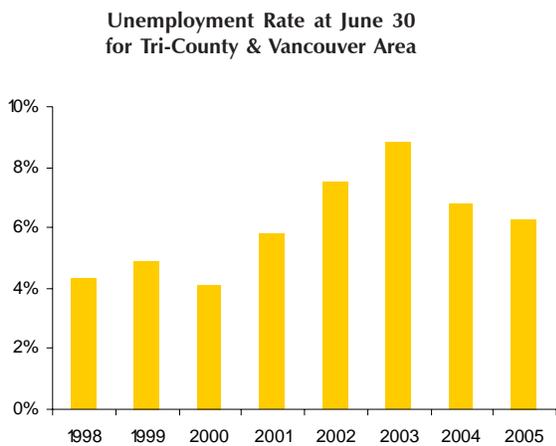
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon’s property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of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

The total property value in the District has increased 22% for assessed value and 28% 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 declined in the last two years, and the number of businesses has grown. 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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**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**

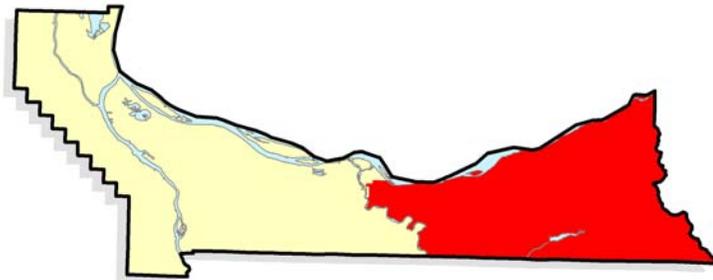
The seven directors who serve without compensation, are elected at-large to four-year terms. Education programs are conducted in one elementary school, one middle school and one high school.

**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 185 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. Information about revenues from the County temporary income tax is shown separately. 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:

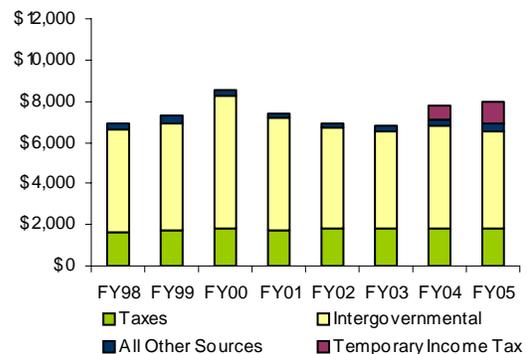
- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surpluses or Shortfalls

**Operating Revenues per Student**

Operating revenues per student have increased 15% from \$6,877 to \$7,930 since FY98. When adjusted for inflation, total operating revenues have increased 2% from \$4.7 million to \$4.8 million.

In FY05 these revenues were from: property taxes 23%; temporary income tax 12%; intergovernmental sources 59%; and other sources 5%. (See Scope and Methodology for explanation of student measure.)

**Operating Revenues per Student (ADM<sub>r</sub>)  
(adjusted for inflation)**

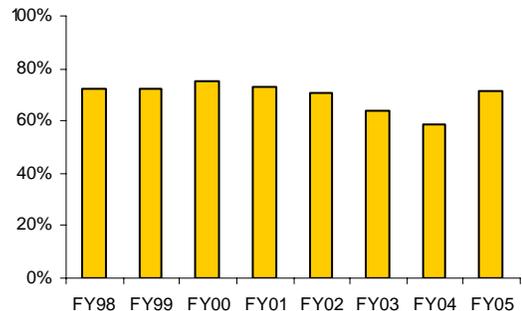


**Intergovernmental Revenues**

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 FY05 intergovernmental revenues made up 59% of the District’s operating revenues; 95% of this amount was from state sources and 5% from various other governmental grants.

**Intergovernmental Revenues  
as Percent of Total**

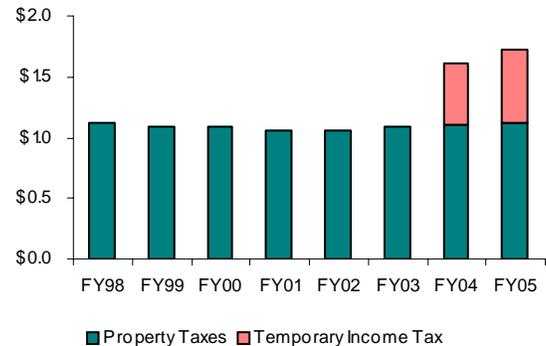


## Tax Revenues for Operations

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 have not changed when adjusted for inflation. Tax revenues for general obligation bond debt repayment are not included.

Tax revenues include the Multnomah County three-year temporary income tax. Revenues from the tax received was about \$458,000 in FY04 and \$598,000 in FY05

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

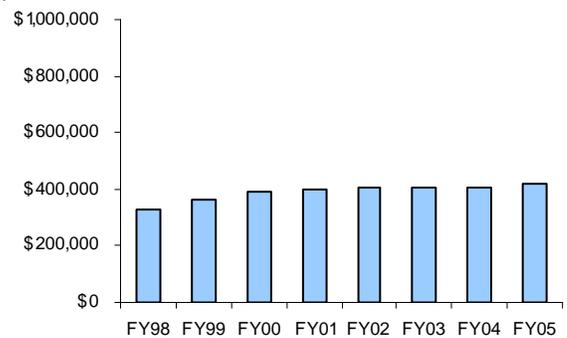


## Assessed Property Values per Student

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 for levies and construction bonds.

The total assessed property values for the District were approximately \$255 million in FY05. The assessed value per student has increased 28% from \$328,000 to \$420,000.

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

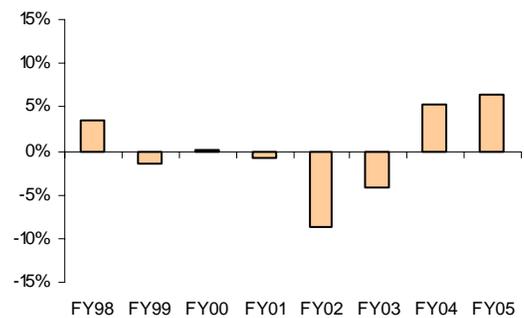


## General Fund Revenue Forecasting

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 shortfall in FY02 was due to a budget error made by the State which was not corrected until the District's budget had been legally approved. The District had a surplus over budgeted revenue above 5% in FY04 and in FY05.

**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 include:

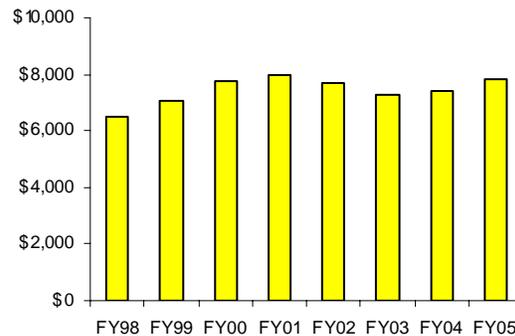
- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

## Operating Expenditures per Student

Expenditures per student accounts for both changes in expenditures and in student populations.

Total operating expenditures increased 7% when adjusted for inflation. However, operating expenditures per student increased 21% from \$6,499 to \$7,857. Most of this increase is due to declining student populations and increased revenues from the temporary income tax.

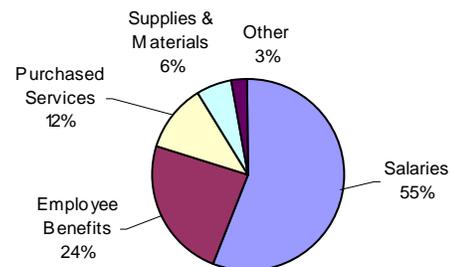
Operating Expenditures per Student (ADMr) (adjusted for inflation)



## Operating Expenditures by Type

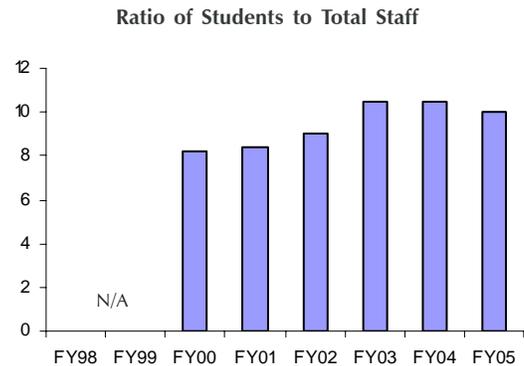
Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, and pension costs. Purchased services generally are for things such as professional services; and supplies and materials include items such as paper, instructional materials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

Operating Expenditures by Type FY05



## Ratio of Students to Total Staff

Ratio of students to total staff has increased from 8.2 students to 1 staff in FY00 to 10.1 students to 1 staff in FY05. Student totals increased slightly since FY00, while staff totals decreased 16% from FY00 to FY05.



## 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:	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Classroom Instruction*			42.4	43.5	38.0	34.1	35.9	35.9
Student/Classroom Support			5.0	3.4	2.5	2.5	3.9	4.9
Individual School Administration			5.5	5.2	3.3	3.5	1.5	2.0
Individual School Support			15.6	15.4	16.8	14.0	13.3	12.8
Central Support & Administration			3.5	3.9	4.5	3.5	3.5	4.0
Other							.7	.8
<b>Total Staffing</b>			<b>71.4</b>	<b>65.0</b>	<b>65.0</b>	<b>57.5</b>	<b>58.8</b>	<b>60.5</b>

\*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:

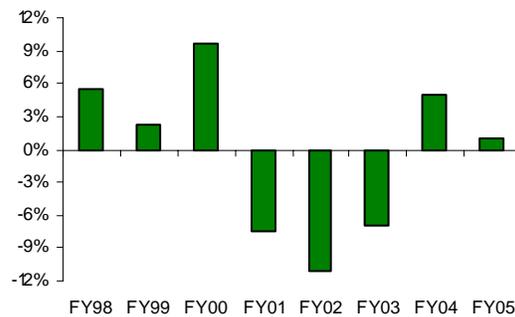
- Operating Surplus or Deficit
- Unreserved Fund Balances

## 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 budgeting that increases 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 eight years. The deficits in FY01 and FY02 were due to sale of assets and loan proceeds which are not included in operating revenues.

Operating Surplus or Deficit as a Percent of Revenues

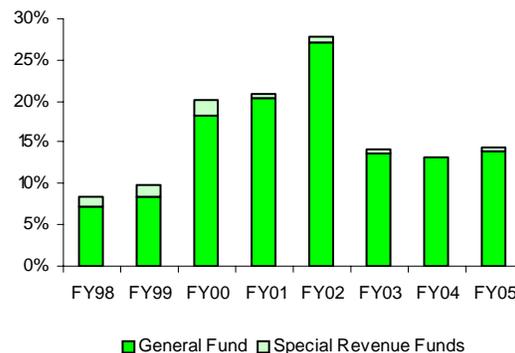


## Unreserved Fund Balances

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 from FY00 to FY02 were primarily from loan proceeds for capital improvements which were accounted for in the general fund and had not yet been spent.

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:

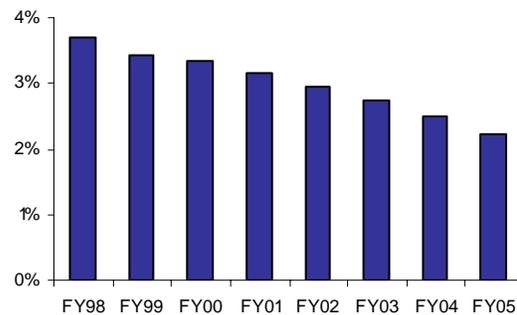
- Long-Term Debt
- Debt Service per Student

### 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 4% over the last eight years with the ratio decreasing to 2.2% in FY05.

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

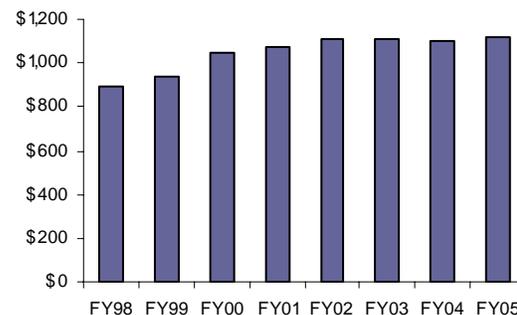


### Debt Service per Student

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 26% from \$890 to \$1,121.

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



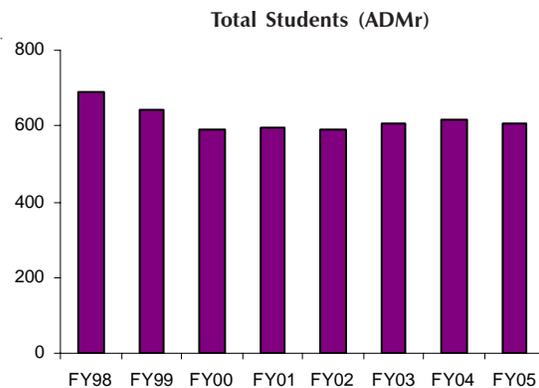
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community 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

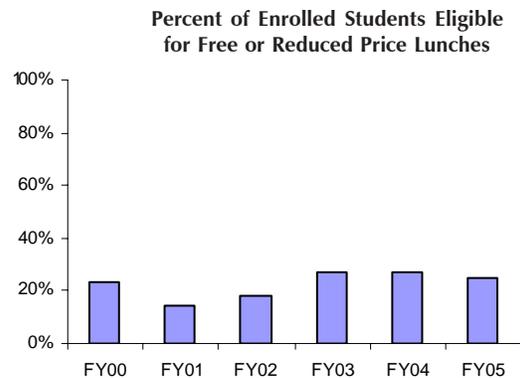
For schools a rapid increase in average number of students has a direct affect on the Districts’ ability to provide adequate services.

The District has seen a 12% decline in the average number of students over the last eight years from 688 to 608. The number of students has been stable since FY00.



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

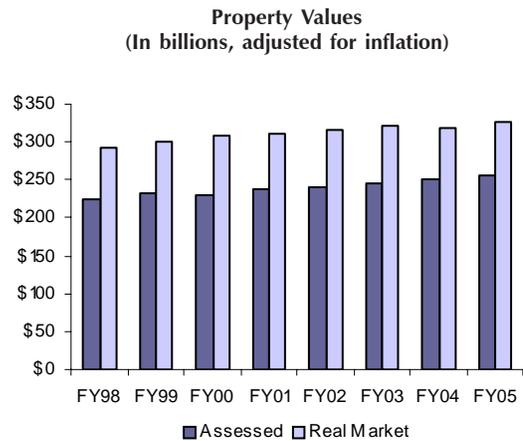
Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.



## Property Values

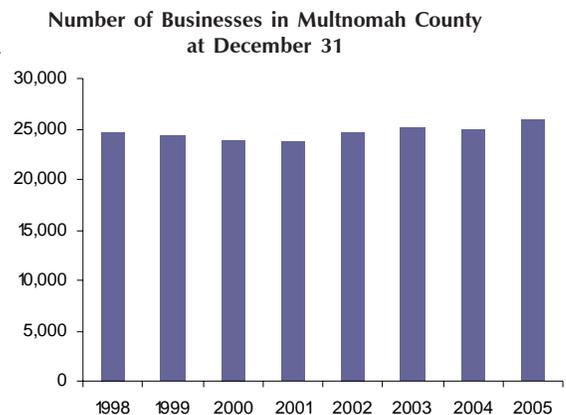
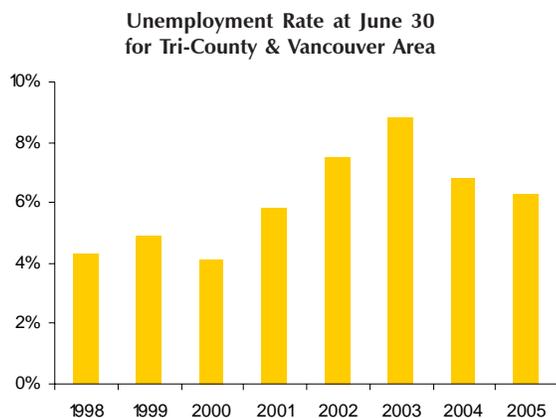
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of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

The total property value in the District has increased by 13% for assessed value and 11% 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 declined in the last two years, and the number of businesses has grown. 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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**History**

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

**Operations**

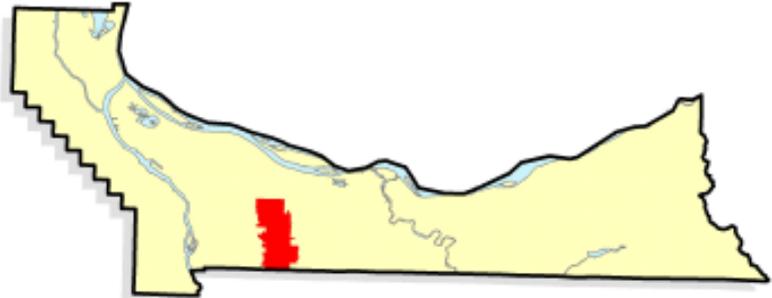
The seven directors, who serve without compensation, are elected at-large to four-year terms. Education programs are conducted in nine elementary schools, two intermediate schools, one high school, one alternative school and six support facilities.

**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. A new elementary school opened in 2002 followed by an alternative school facility in 2003 and a new middle school in 2005.

**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. Information about revenues from the County temporary income tax is shown separately 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:

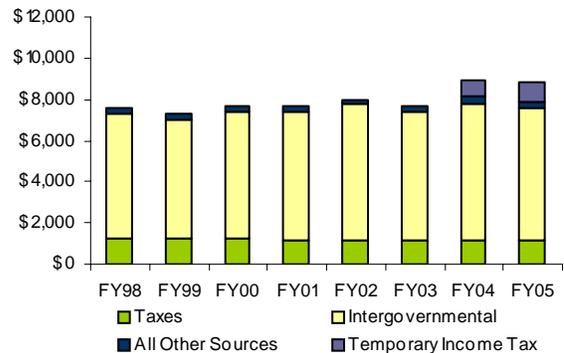
- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surplus or Shortfall

## Operating Revenues per Student

When adjusted for inflation, total operating revenues have increased 49% from \$55.2 million to \$82 million since FY98. However, operating revenues per student have only increased 17% from \$7,598 to \$8,856.

In FY05 these revenues were from: property taxes 13%; temporary income tax 11%; intergovernmental sources 73%; and other sources 3%. (See Scope and Methodology for explanation of student measure).

Operating Revenues per Student (ADM<sub>r</sub>)  
(adjusted for inflation)

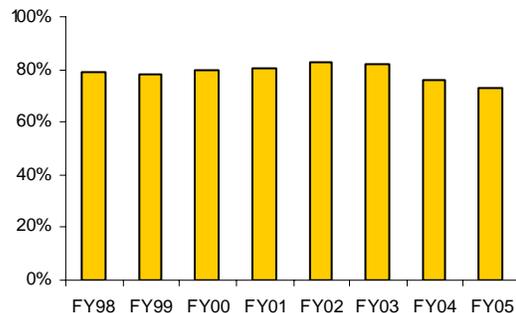


## Intergovernmental Revenues

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 FY05 intergovernmental revenues made up 73% of the District's operating revenues; 82% of this amount was from state sources and 18% from various other governmental grants.

Intergovernmental Revenues  
as Percent of Total



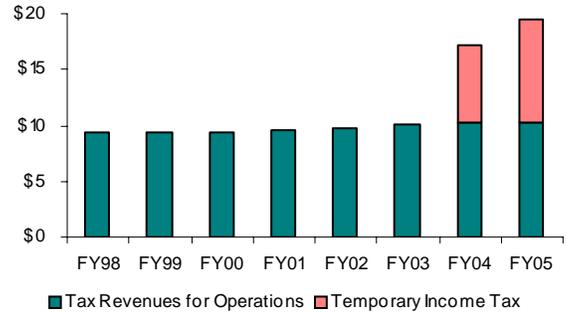
## Tax Revenues for Operations

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 10% when adjusted for inflation. This increase is caused by an increase in property valuation. Revenues from tax revenues for general obligation bond debt repayment are not included.

Tax revenues include the Multnomah county three-year temporary income tax. The taxes received were \$7 million in FY04 and \$9 million in FY05

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

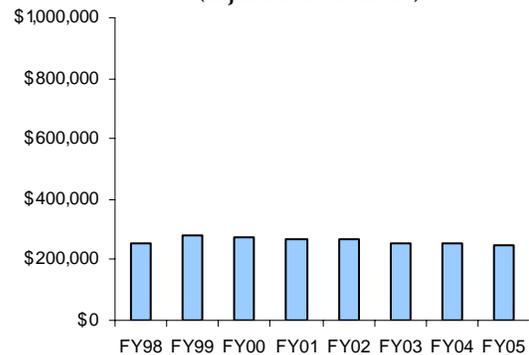


## Assessed Property Values per Student

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 was approximately \$2.3 billion in FY05. The assessed value per student has decreased 4% from \$258,00 to \$248,00 due to the increase in the number of students.

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

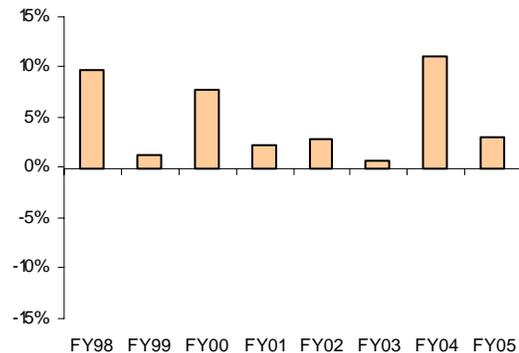


## General Fund Revenue Surpluses or Shortfalls

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 surplus over budgeted revenues in the general fund fluctuated over the last eight years; it was 10% in FY98 and 3% in FY05.

**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:

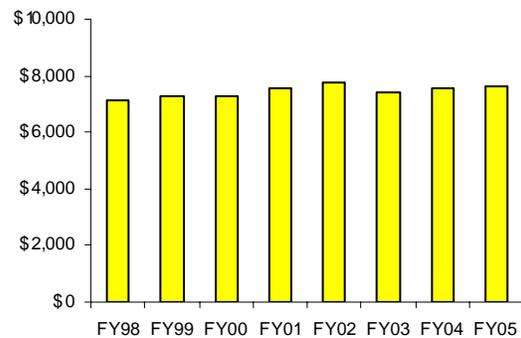
- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

## Operating Expenditures per Student

Expenditures per student accounts for both changes in expenditures and in student populations.

Total operating expenditures increased 35% when adjusted for inflation. However, expenditures per student only increased 6% from \$7,152 to \$7,590.

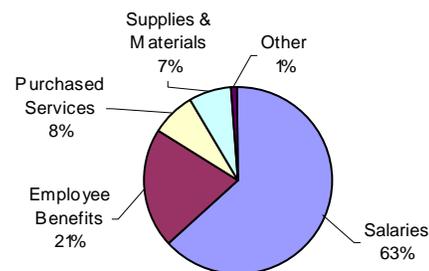
Operating Expenditures per Student (ADMr)  
(adjusted for inflation)



## Operating Expenditures by Type

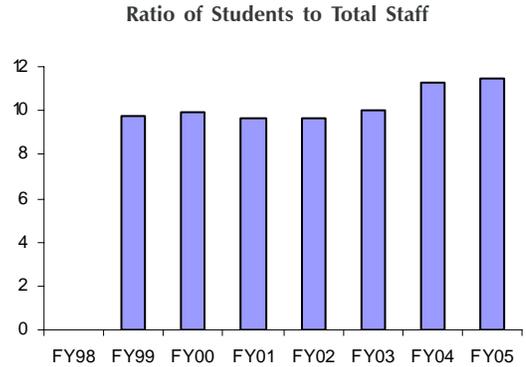
Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, and pension costs. Purchased services generally are for things such as professional services. Supplies and materials include items such as paper, instructional materials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

Operating Expenditures by Type  
FY05



### Ratio of Students to Total Staff

The ratio of students to total staff has increased from 9.8 students to 1 staff in FY99 to 11.5 students to 1 staff in FY05. Total staffing increased 6% while total number of students (ADMr) increased 27%.



### Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and educational 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:	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Classroom Instruction*		466.0	473.7	505.4	531.2	535.1	532.7	578.7
Student/Classroom Support		63.9	63.9	36.4	63.1	63.4	81.3	84.6
Individual School Administration		50.1	50.9	51.5	53.1	55.1	57.6	58.5
Individual School Support		159.6	171.3	180.8	183.5	187.4	182.9	183.6
Central Support & Administration		23.4	23.2	24.9	25.1	20	19.5	19.5
Other							6.5	6.5
<b>Total Staffing</b>		<b>763.0</b>	<b>783.0</b>	<b>826.0</b>	<b>856.0</b>	<b>861</b>	<b>880.5</b>	<b>931.3</b>

\*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:

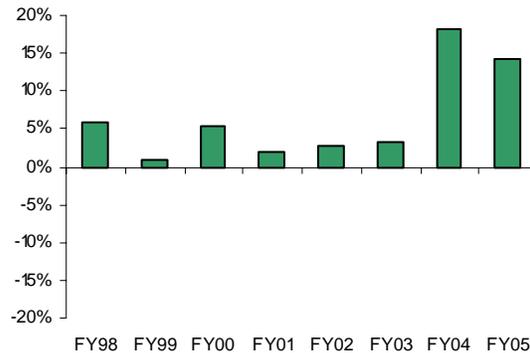
- Operating Surplus or Deficit
- Unreserved Fund Balances

## 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 budgeting that increases 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 increased significantly in FY04 going up 18.2% and in FY05 going up another 14.3%.

Operating Surplus or Deficit as a Percent of Revenues

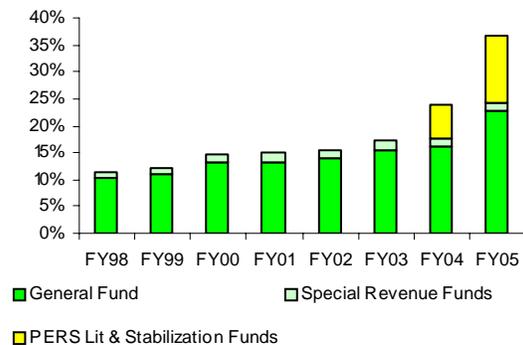


## Unreserved Fund Balances

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 significantly over the last eight 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:

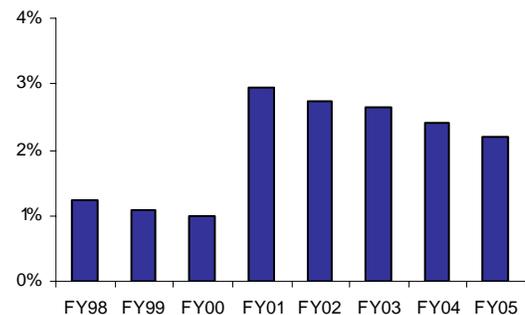
- Long-Term Debt
- Debt Service per Student

## 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.

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 2.2% 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**

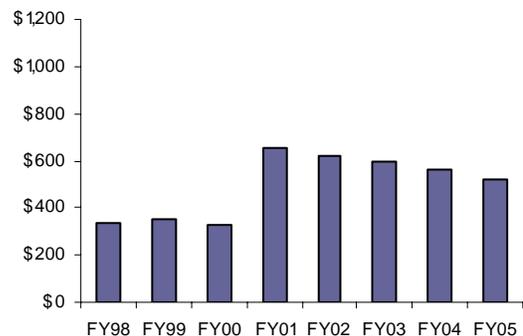


## Debt Service per Student

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 53% from \$338 to \$519. This increase was from new debt for general obligation bonds of \$39.9 million issued in FY01.

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



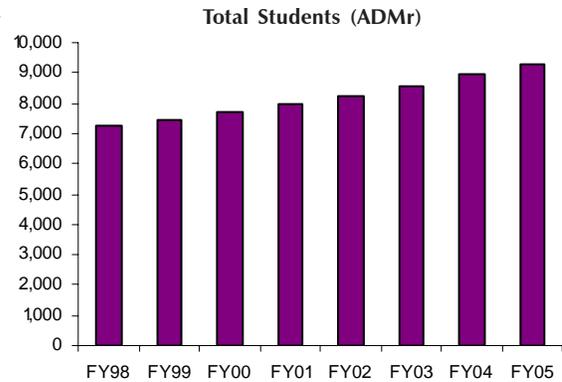
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community 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 Districts' ability to provide adequate services.

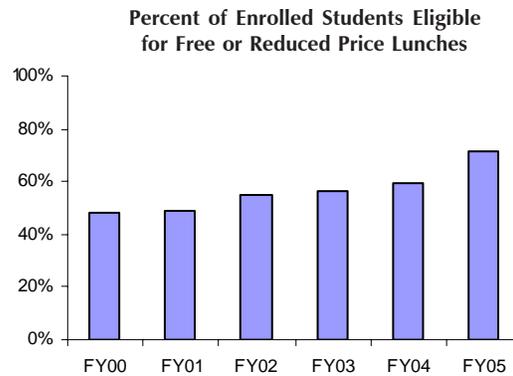
The District has grown 27% in the average number of students over the last eight years, from 7,265 to 9,259.



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

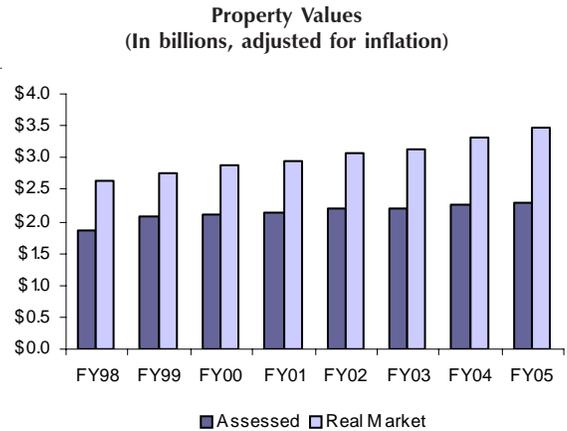
Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.

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



## Property Values

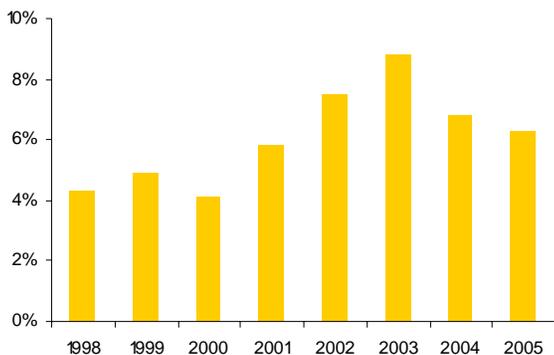
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon’s property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of the economic growth and health of the District. The total property value in the District has increased 23% for assessed value and 32% for real market value when adjusted for inflation.



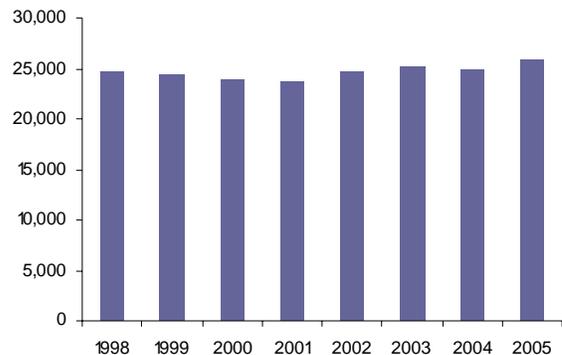
## Unemployment and Business Activity

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 declined in the last two years, and the numbers of businesses has grown. 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.

Unemployment Rate at June 30 for Tri-County & Vancouver Area



Number of Businesses in Multnomah County at December 31



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**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**

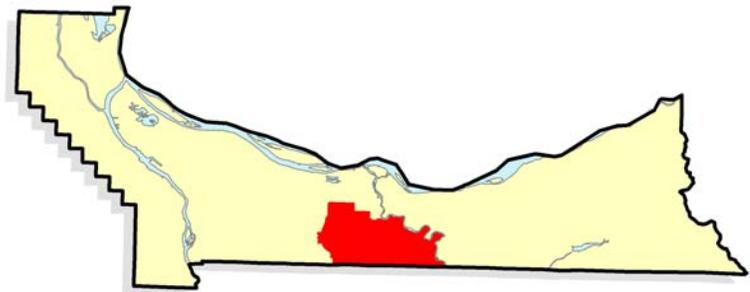
The seven directors, who serve without compensation, are elected at-large to four-year terms. Education programs are conducted in eleven elementary schools, five middle schools, three high schools and one charter school.

**Financial**

In November 2000 the District passed a \$40.2 million bond measure to build three new schools, expand and improve facilities. The District issued \$61 million in limited tax pension bonds in FY03.

**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. Information about revenues for the County temporary income tax is shown separately. 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:

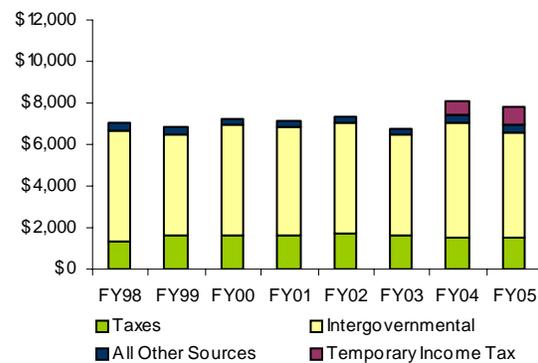
- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surplus or Shortfall

## Operating Revenues per Student

When adjusted for inflation, total operating revenues increased 20% from \$76.4 to \$92 million since FY98. This was an 11% increase on a per student basis, from \$7,016 to \$7,822.

In FY05 revenues from property taxes for operations made up 19% of the total, 11% from temporary income tax, 65% from intergovernmental sources, and 5% other sources. (See Scope and Methodology for explanation of student measure.)

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

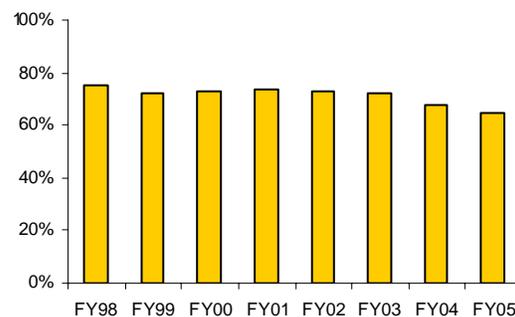


## Intergovernmental Revenues

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 FY05 intergovernmental revenues made up 65% of the District’s operating revenues; 90% of this amount was from state sources and 10% from various other governmental grants.

Intergovernmental Revenues  
as Percent of Total



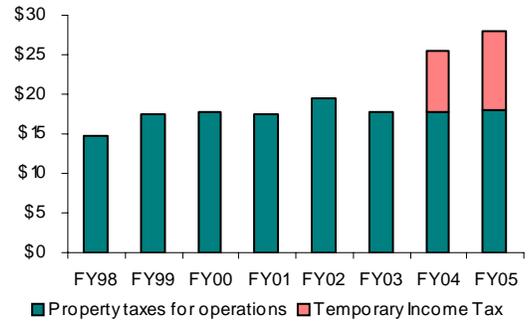
### Tax Revenues for Operations

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 21% 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 eight years. Tax revenues for general obligation bond debt repayment are not included here.

Tax revenues include the Multnomah County three-year temporary income tax. Revenues from the taxes received were \$7.9 million in FY04 and \$10 million in FY05.

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

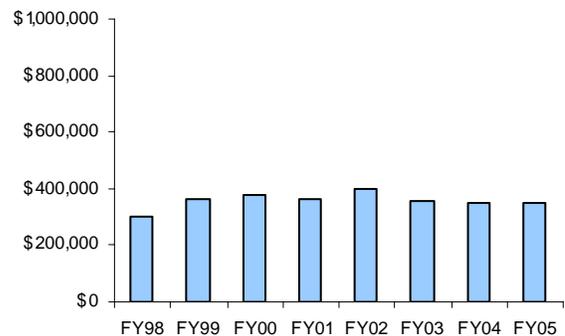


### Assessed Property Values per Student

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 for levies and construction bonds.

The total assessed property values for the District was approximately \$4.1 billion in FY05. The assessed value per student has increased 16% from \$302,000 to \$350,000.

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

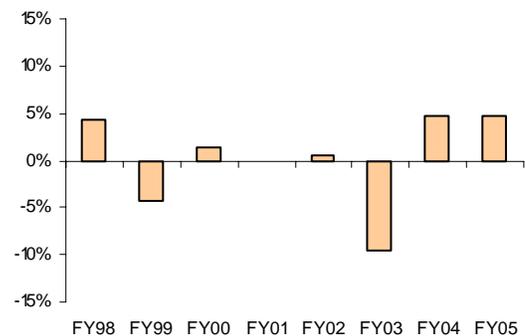


### General Fund Revenue Forecasting

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 surplus over budgeted revenue in the general fund was under 5% over the last eight years, except for FY03 when there was a deficit of 9.6%.

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



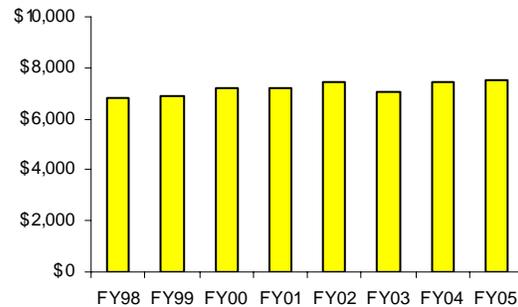
Expenditures are a rough measure of a local government’s service output. Because Oregon governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will 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 include:

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

## Operating Expenditures per Student

Expenditures per student accounts for both changes in expenditures and in student populations. Total operating expenditures increased 19% when adjusted for inflation. Operating expenditures per student increased 10% from \$6,802 to \$7,496.

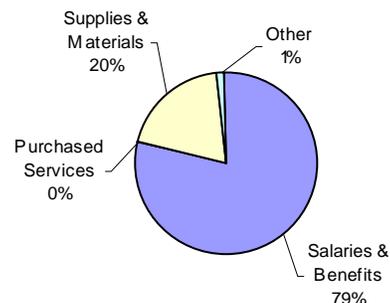
Operating Expenditures per Student (ADM) (adjusted for inflation)



## Operating Expenditures by Type

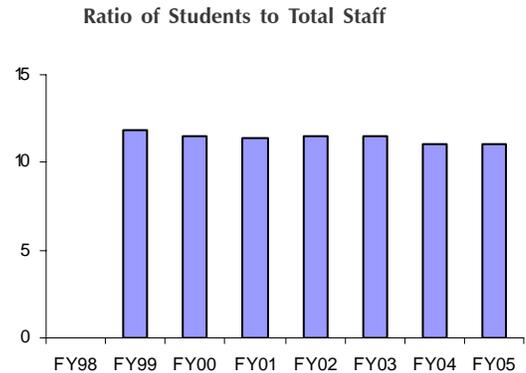
Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, and pension costs. Purchased services generally are for things such as professional services. Supplies and materials include items such as paper, instructional materials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

Operating Expenditures by Type FY05



## Ratio of Students to Total Staff

Ratio of students to total staff has decreased over the last seven years from 11.9 students to 1 staff in FY99 to 11.0 students to 1 staff in FY05. Total staff increased 16%.



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and educational 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:	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Classroom Instruction*		650.5	666.8	685.6	675.6	681.6	721.5	746.7
Student/Classroom Support		94.4	100.8	109.9	110.7	114.6	115.4	119.4
119.4 Individual School Administration		74.4	75.6	78.6	78.4	79.3	81.3	81.2
Individual School Support		80.3	77.8	80.8	89.6	90.0	89.4	97.0
Central Support & Administration		22.3	23.3	23.3	22.5	20.0	21.0	21.5
Other							1.0	1.0
Total Staffing		922.0	944.2	978.2	976.7	985.5	1,029.5	1,066.9

\*Includes teachers and educational assistants

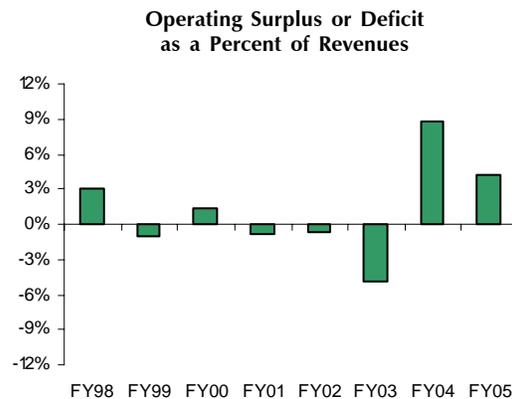
Operating position indicators measure the ability of a district to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating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

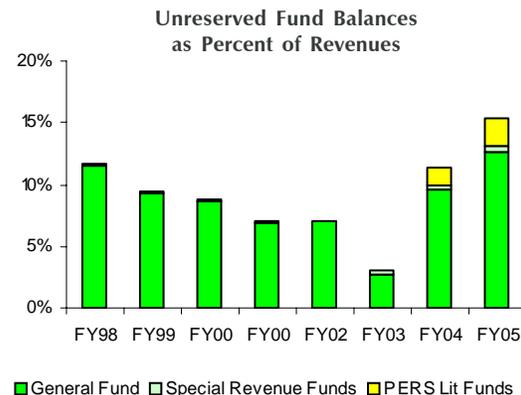
The District has had operating surpluses in the last two years.



## 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 decreased through FY03. The District has a financial policy for maintaining reserves in the general and food services funds and for debt service. According to management they reduced their reserves for debt service on the advice of the Multnomah County Tax Supervising and Conservation Commission.



# Debt

## Gresham-Barlow School District

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:

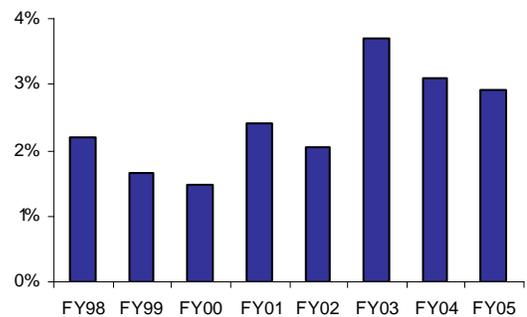
- Long-Term Debt
- Debt Service per Student

### 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.

55% of the District's long-term debt is in voter-approved general obligation bonds. The District's ratio increased to 3.7% in FY03 with issuance of \$61 million in limited tax pension bonds.

Total Long-term Debt as Percent of Assessed Value

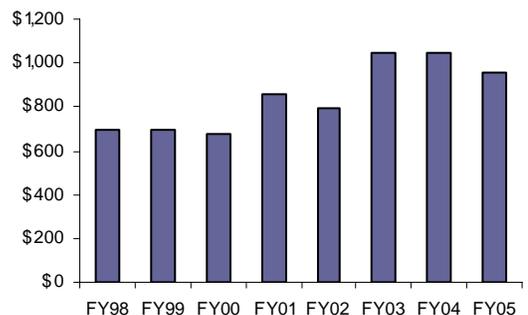


### Debt Service per Student

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 38% from \$692 in FY98 to \$953 in FY05. The increase was from new debt for \$40.2 million general obligation bonds issued in FY02, and \$61 million in limited tax pension bonds issued in FY03.

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



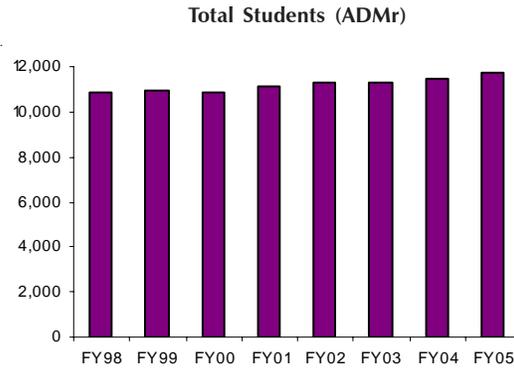
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community 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**

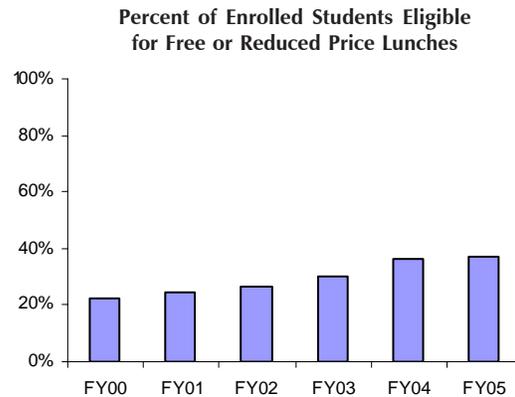
For schools a rapid increase in average number of students has a direct affect on the Districts’ ability to provide adequate services.

The District has grown 8% in the average number of students over the last eight years from 10,884 to 11,761.



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

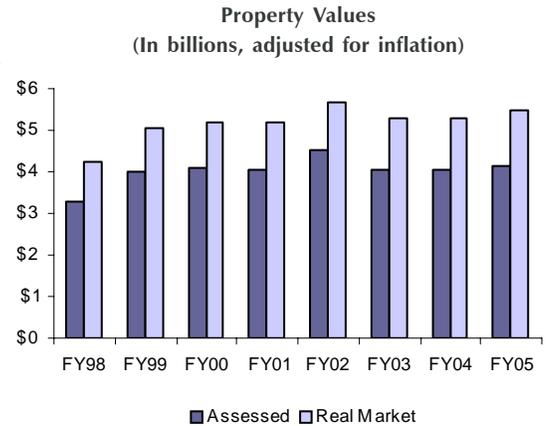
Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.



## Property Values

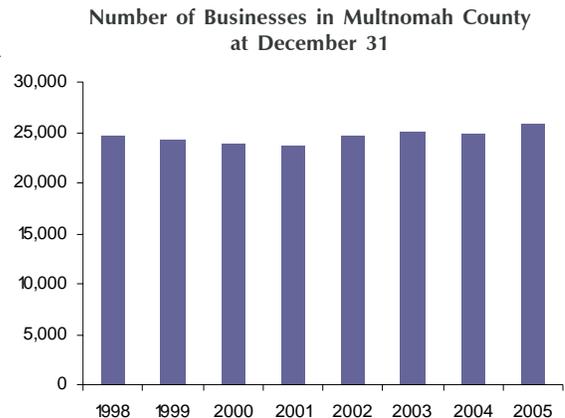
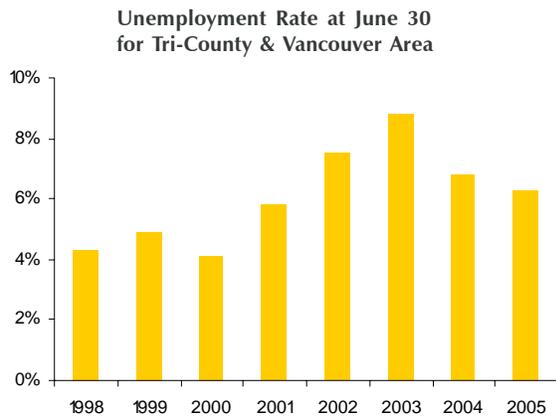
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of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

Total property value in the District has increased 26% for assessed value and 29% 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 declined in the last two years, and the number of businesses has grown. 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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**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**

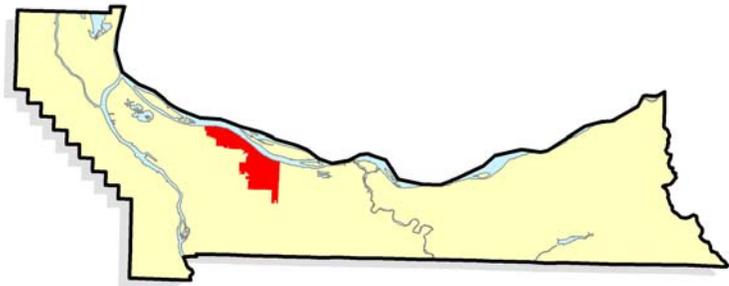
The five directors, who serve without compensation, are elected at-large to four-year terms. Education programs are conducted in four elementary schools, one middle school, one high school, and one administrative facility.

**Financial**

The District incurred no new debt in the last eight 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. Information about revenues from the County temporary income tax is shown separately. 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:

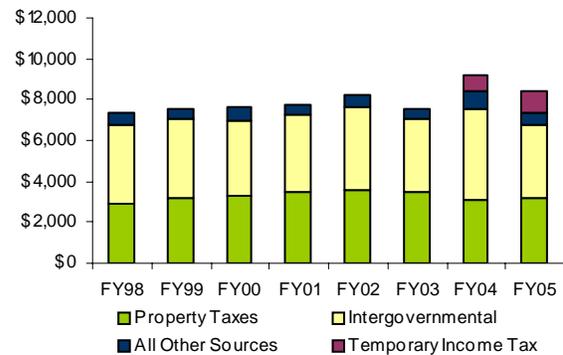
- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surpluses or Shortfalls

### Operating Revenues per Student

When adjusted for inflation, total operating revenues have increased 19% from \$24.9 million to \$29.6 million since FY98. This increase was 16% on a per student basis, from \$7,381 to \$8,526.

In FY05 revenues from property taxes for operations made up 38% of the total, 12% from the temporary income tax, 43% from intergovernmental sources, and 7% from other sources. (See Scope and Methodology for explanation of student measure.)

Operating Revenues per Student (ADM<sub>r</sub>)  
(adjusted for inflation)

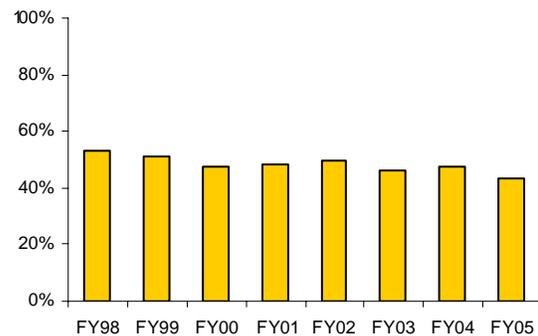


### Intergovernmental Revenues

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 FY05 intergovernmental revenues made up 43% of the District’s operating revenues; 79% of the amount was from state sources and 21% from various other governmental grants.

Intergovernmental Revenues  
as Percent of Total

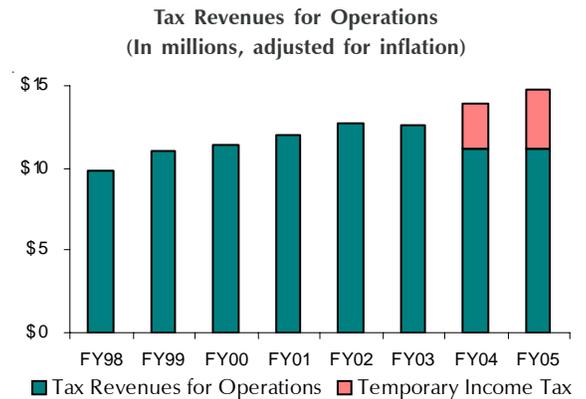


## Tax Revenues for Operations

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 13% 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 eight years. Tax revenues for general obligation bond debt repayment are not included.

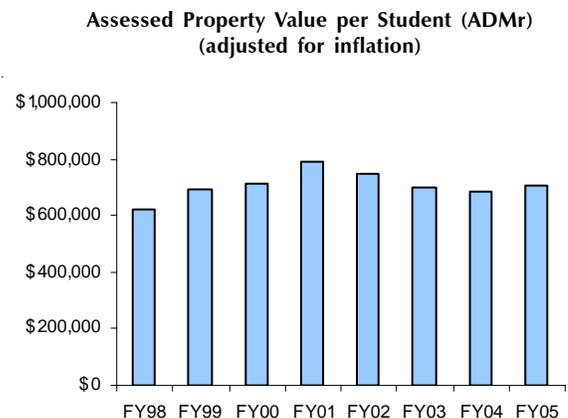
Tax Revenues include the Multnomah County three-year temporary income tax. Revenues from the taxes received were \$2.8 million in FY04 and \$3.6 million in FY05.



## 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 for levies and construction bonds.

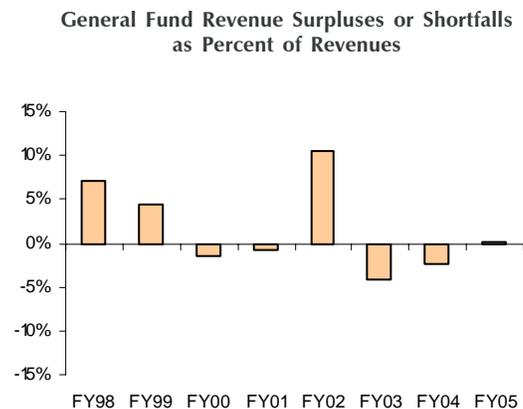
The total assessed property values for the District was approximately \$2.5 billion in FY05. The assessed value per student has increased 14% from \$623,000 to \$708,000.



## General Fund Revenue Surpluses or Shortfalls

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 surplus over budgeted revenue in the general fund was 7% in FY98 and 0% in FY05.



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:

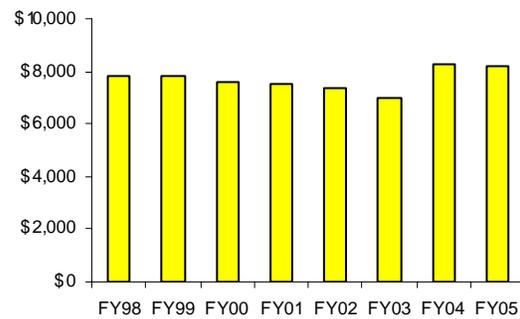
- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

### Operating Expenditures per Student

Expenditures per student accounts for both changes in expenditures and in student populations.

Total operating expenditures increased 8% when adjusted for inflation. Operating expenditures per student increased 5% from \$7,789 to \$8,209.

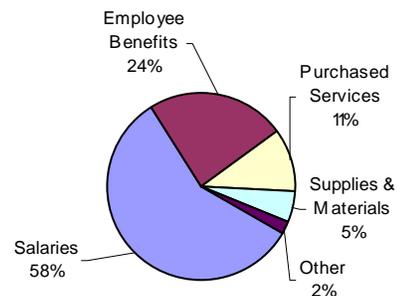
Operating Expenditures per Student (ADM)



### Operating Expenditures by Type

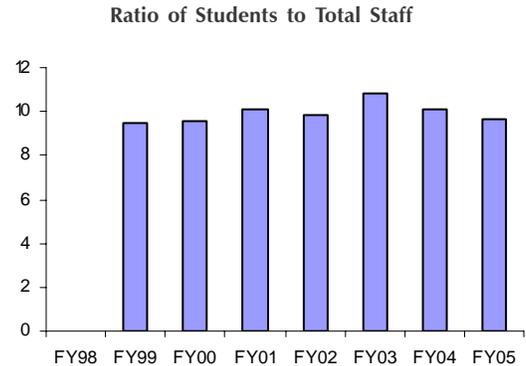
Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, and pension costs. Purchased services generally are for things such as professional services. Supplies and materials include items such as paper, instructional materials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

Operating Expenditures by Type  
FY05



## Ratio of Students to Total Staff

The ratio of students to total staff was 9.5 students to 1 staff in FY99 and 9.6 students to 1 staff in FY05. Total staff decreased 1.3%.



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and educational 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:	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Classroom Instruction*		224.9	224.2	213.2	226.3	217.2	236.0	242.9
Student/Classroom Support		34.0	26.0	21.7	23.0	16.1	22.5	22.5
Individual School Administration		29.0	27.4	23.9	26.0	24.0	9.9	10.0
Individual School Support		57.3	63.2	64.0	65.7	60.2	67.4	65.8
Central Support & Administration		19.0	14.5	13.6	16.5	14.6	17.4	18.4
Other								
Total Staffing		367.2	355.3	336.4	357.5	332.1	353.2	359.6

\*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:

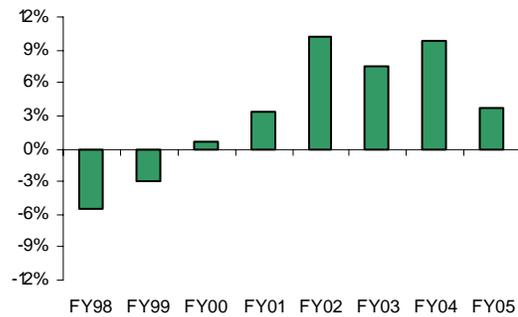
- Operating Surplus or Deficit
- Unreserved Fund Balances

## 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 budgeting that increases 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 operating deficit of nearly 6% in FY98, but has experienced surpluses in the last six years.

Operating Surplus or Deficit as a Percent of Revenues

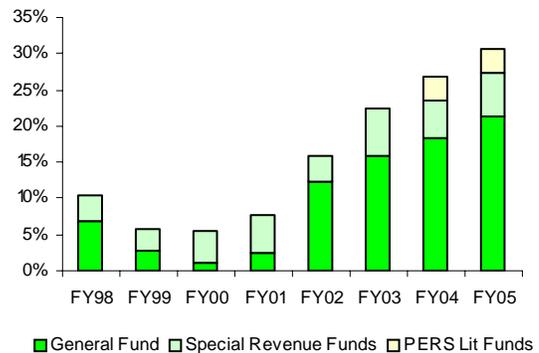


## Unreserved Fund Balances

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 FY00.

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:

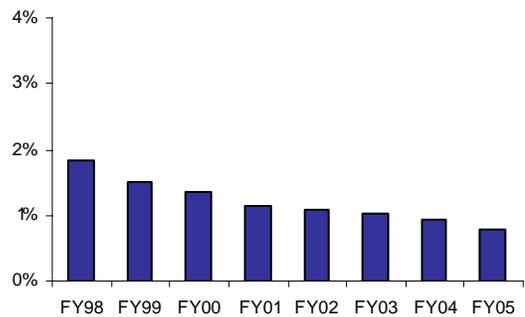
- Long-Term Debt
- Debt Service per Student

## 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 eight years with the ratio decreasing from 1.8% to 0.8%.

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

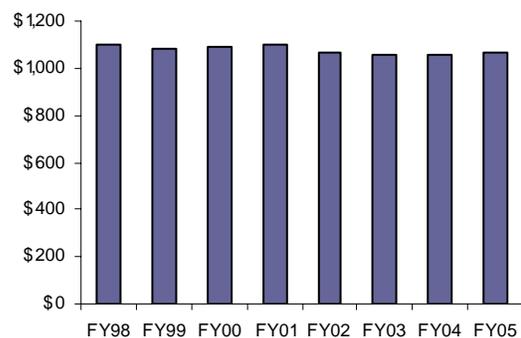


## Debt Service per Student

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 nonoperating revenue sources. Long-term debt is generally for new school buildings or needed renovations or technology and equipment needs.

Debt service per student was slightly lower in FY05 than it was eight years ago in FY98, going from \$1,098 to \$1,066.

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



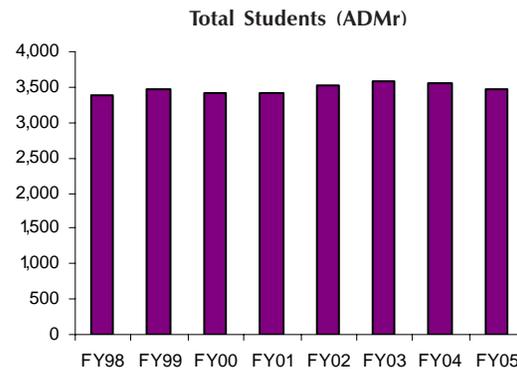
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community 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**

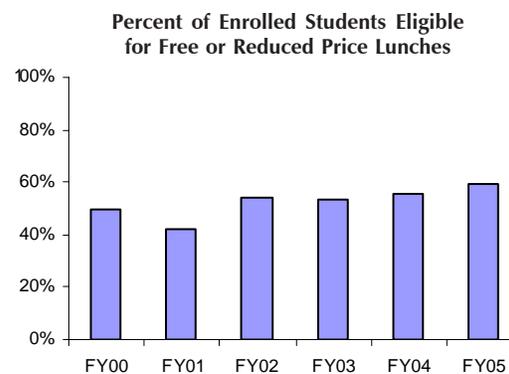
For schools a rapid increase in average number of students has a direct affect on the District’s ability to provide adequate services.

The District has grown 2.8% in the average number of students from 3,372 to 3,468.



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

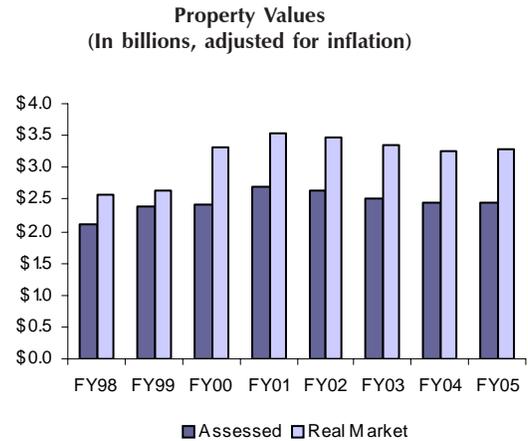
Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.



## Property Values

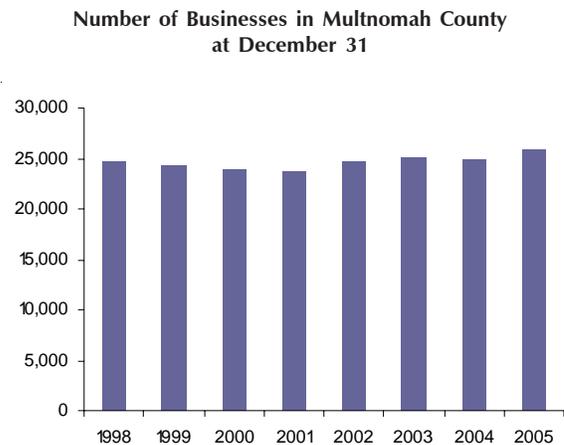
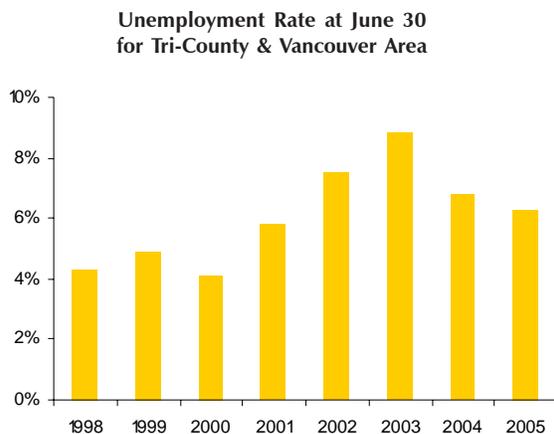
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of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

The total property value in the District has increased 17% for assessed value and 28% 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 declined in the last two years, and the number of businesses has grown. 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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**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**

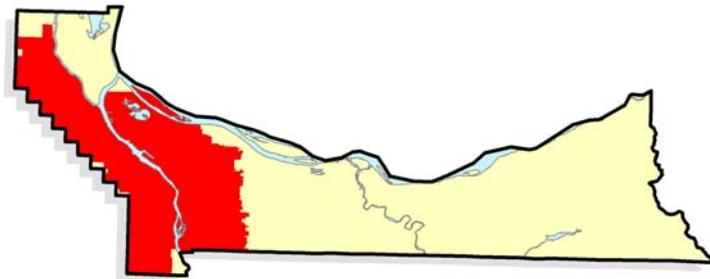
The seven directors, who serve without compensation, are elected by zone for four-year terms. Education programs are conducted in 60 elementary schools, 18 middle schools, 16 high schools, and 27 alternative or support facilities.

**Financial**

In November 1995 voters approved a 10-year capital bond totaling \$196 million, final payment was made in FY05. 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, FY05 was the last year for this levy. October 31, 2002 the district issued \$210,103,857 and in April issued \$281,170,040 Limited Tax Pension Obligation bonds.

**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.



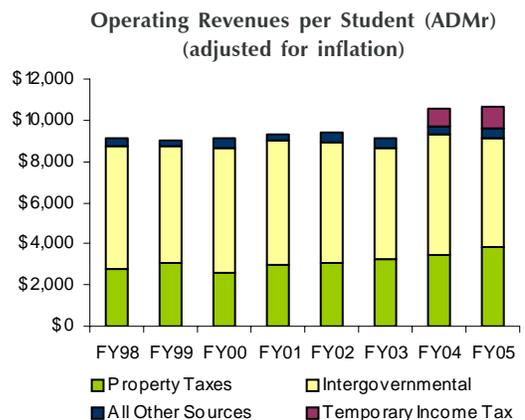
Revenues determine the capacity of the district to provide services. These indicators include only operating revenues, which consist of the District’s general fund and special revenue funds. Information about revenues from the County temporary income tax is shown separately. Debt service funds which 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 increased 3.3% from \$455.5 million to \$470.4 million since FY98. Operating revenues per student increased 16% from \$9,162 to \$10,636.

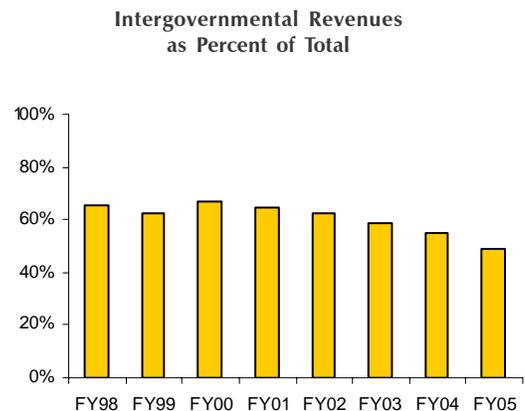
In FY05 revenues from property taxes for operations made up 36% of the total, the temporary income tax 10%, intergovernmental sources 49%, and other sources 5%. (See Scope and Methodology for explanation of student measure.)



## 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 FY05 intergovernmental revenues made up 49% of the District’s operating revenues; 68% of this amount was state school funding and 32% from various federal, state, and local government grants.



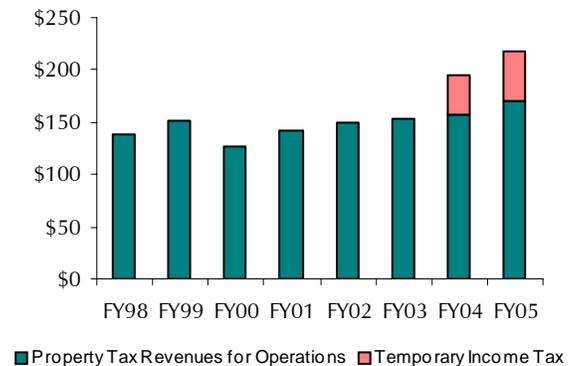
## Tax Revenues for Operations

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 24% when adjusted for inflation. This increase is caused by an increase in property valuation and a local option levy approved by voters in FY01. Tax revenues for general obligation bond debt repayment are not included here.

Tax revenues include the Multnomah County three-year temporary income tax. Revenues from the taxes received were \$37.6 million in FY04 and \$46.2 million in FY05.

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

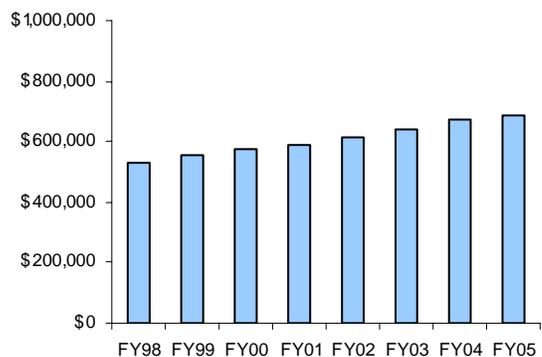


## Assessed Property Values per Student

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 for levies and construction bonds.

The total assessed property values for the District was approximately \$30.5 billion in FY05. The assessed value per student has increased 31% from \$528,000 to \$689,000.

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

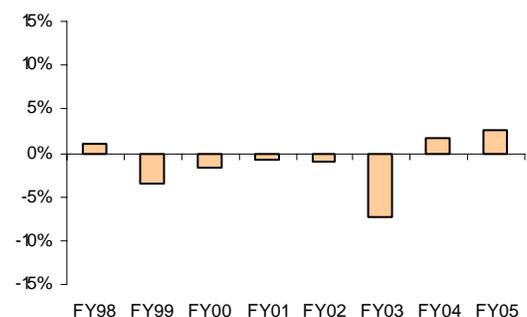


## General Fund Revenue Surpluses or Shortfalls

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 deficits over budgeted revenue or surpluses have been under 4% over the last eight years, except FY03 with a 7% deficit.

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



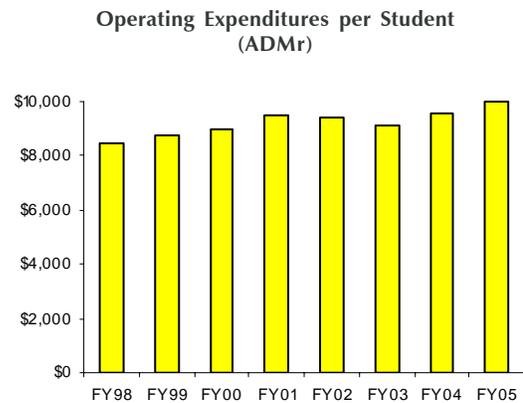
Expenditures are a rough measure of a local government’s service output. Because Oregon governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will 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 include:

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

## Operating Expenditures per Student

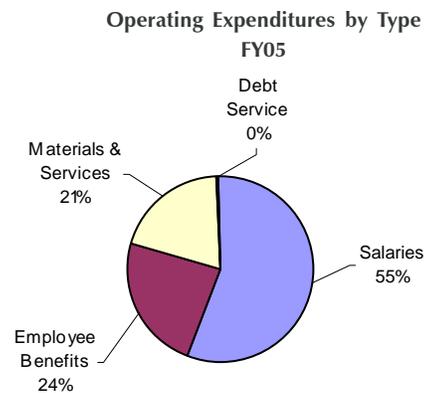
Expenditures per student accounts for both changes in expenditures and in student populations.

The total operating expenditures increased 5% when adjusted for inflation. Operating expenditures per student increased 18% from \$8,477 to \$10,016. Some of the increase is due to the declining number of students.



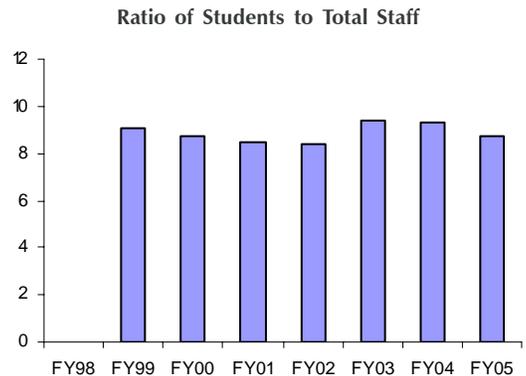
## Operating Expenditures by Type

Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, and pension costs. Purchased services generally are for things such as professional services. 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 8.8 students to 1 staff. Total staff decreased 7.6%



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and educational 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:	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Classroom Instruction*		N/A	N/A	N/A	3,673.3	3,343.6	3,104.0	3,236.6
Student/Classroom Support		N/A	N/A	N/A	638.5	654.4	725.7	784.6
Individual School Administration		N/A	N/A	N/A	400.0	350.9	382.0	387.4
Individual School Support		N/A	N/A	N/A	890.1	505.8	509.1	509.0
Central Support & Administration		N/A	N/A	N/A	135.0	124.8	139.7	126.6
Other		N/A	N/A	N/A	8.5	8.5	4.5	3.5
<b>Total Staffing</b>		<b>5,463.6</b>	<b>5,587.4</b>	<b>5,728.6</b>	<b>5,749.1</b>	<b>4,988.0</b>	<b>4,865.0</b>	<b>5,047.7</b>

\*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:

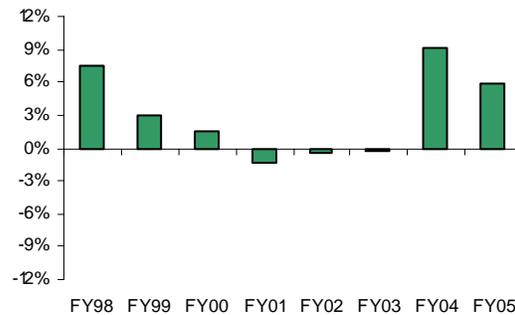
- Operating Surplus or Deficit
- Unreserved Fund Balances

## 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 budgeting that increases 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 declined over the last five years, with increases in FY04 and FY05.

**Operating Surplus or Deficit as a Percent of Revenues**

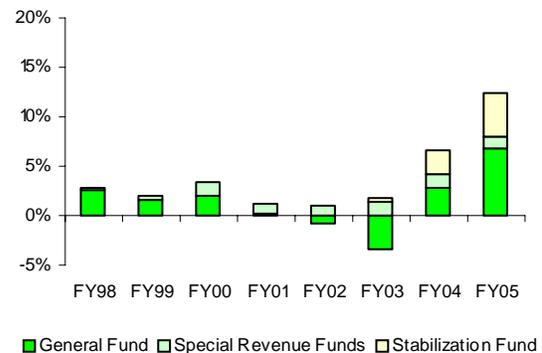


## Unreserved Fund Balances

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 for the general fund declined from FY98 to FY03; in FY04 and FY05, there were increases in operating fund balances.

**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:

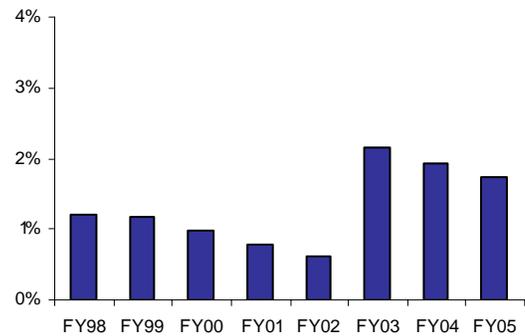
- Long-Term Debt
- Debt Service per Student

**Long-Term Debt**

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

\$500 million in limited tax pension obligation bonds were issued in FY03. The District’s long term debt ratio increased from 1.2% to 1.7%.

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

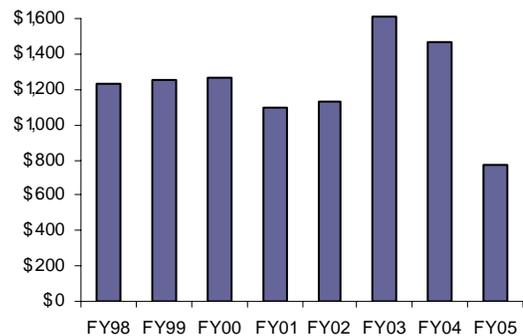


**Debt Service per Student**

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 decreased from \$1,229 in FY98; to \$770 per student in FY05 due to final payment on GO bonds for \$35 million.

**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:

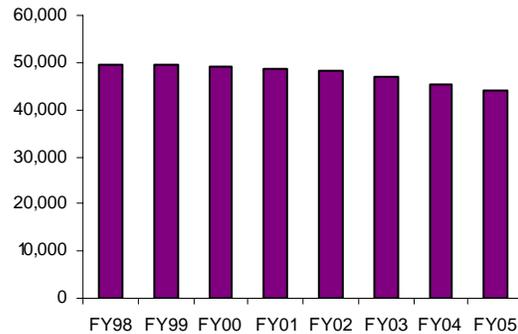
- Number of Students
- Percent of Students Eligible for Free or Reduced Price Lunches
- Property Values
- Unemployment and Business Activity

## Number of Students

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

The District has declined 11% in the average number of students over the last eight years from 49,712 to 44,233.

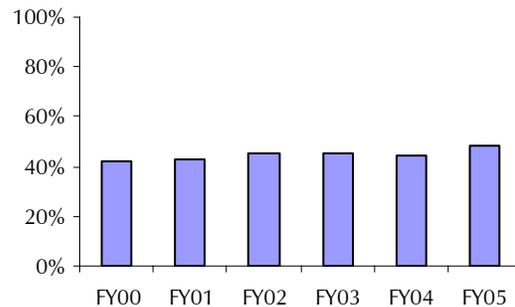
Total Students (ADMr)



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

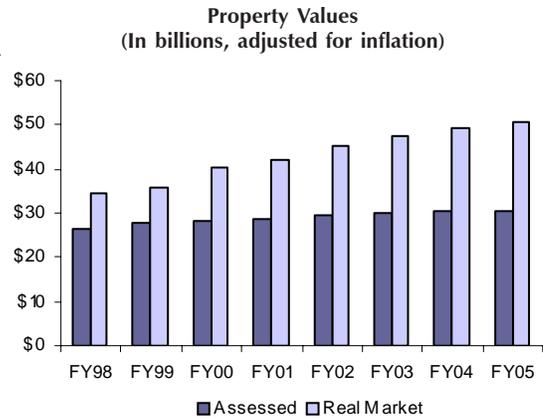
Increasing numbers of low income households may add to the costs for schools. The number of students eligible for free or reduced price lunches is one way of measuring changes in lower income levels for students in the District.

Percent of Enrolled Students Eligible for Free or Reduced Price Lunches



## Property Values

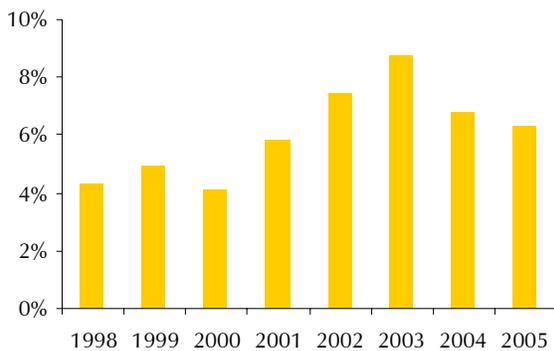
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of the economic growth and health of the District. The total property value in the District has increased 16% for assessed value and 48% for real market value when adjusted for inflation.



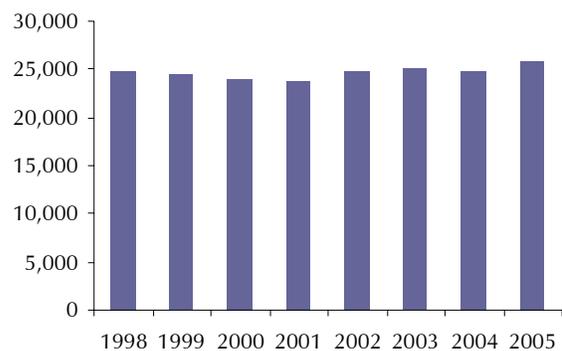
## Unemployment and Business Activity

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 declined in the last two years, and the numbers of businesses has grown. 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.

**Unemployment Rate at June 30 for Tri-County & Vancouver Area**



**Number of Businesses in Multnomah County at December 31**



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**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**

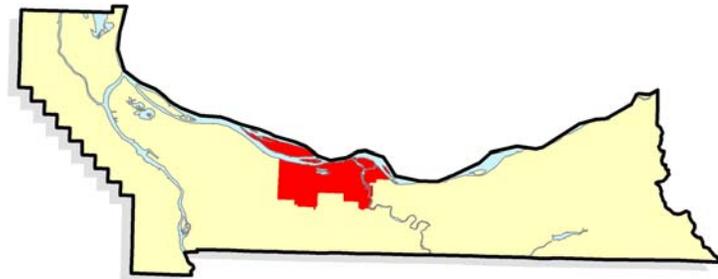
The seven directors, who serve without compensation, are elected at-large to four-year terms. Education programs are conducted in eleven elementary schools, three middle schools, one high school, and one alternative school.

**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. Information about revenues from the County temporary income tax is shown separately. 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:

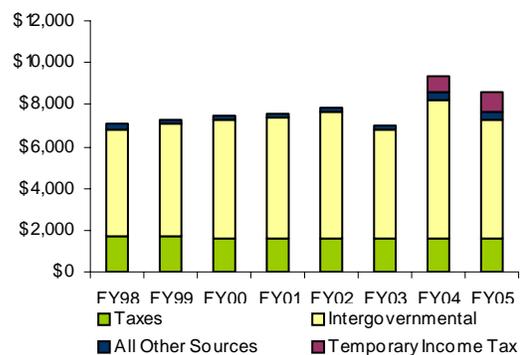
- Operating Revenues per Student
- Intergovernmental Revenues
- Tax Revenues for Operations
- Assessed Property Values per Student
- General Fund Revenue Surplus or Shortfall

## Operating Revenues per Student

When adjusted for inflation, total operating revenues have increased 52% from \$58.6 to \$89.2 million since FY98. This increase was 22% on a per student basis from \$7,071 to \$8,638.

In FY05 revenues from property taxes for operations made up 19% of the total, 11% from the temporary income tax, 66% from intergovernmental sources, and 4% from other sources. (See Scope and Methodology for explanation of student measure.)

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

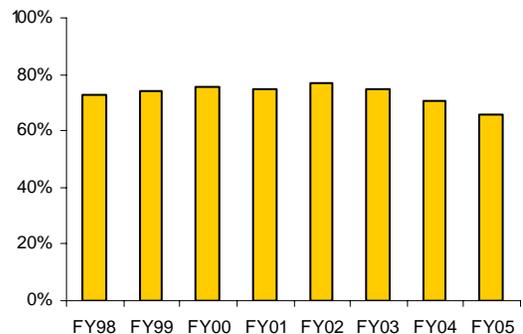


## Intergovernmental Revenues

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 FY05 intergovernmental revenues made up 66% of the District’s operating revenues; 85% of this amount was from state sources and 15% from various other governmental grants.

Intergovernmental Revenues  
as Percent of Total



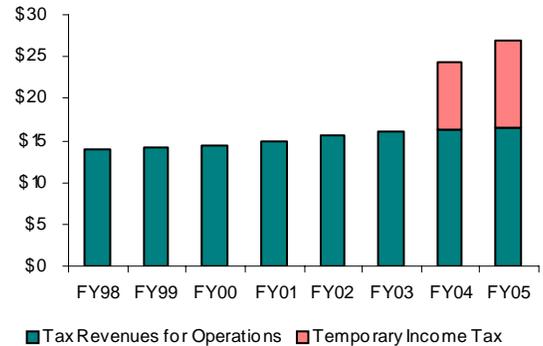
## Tax Revenues for Operations

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 19% 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 eight years. Tax revenues for general obligation bond debt repayment are not included here.

Tax revenues include the Multnomah County three-year temporary income tax. Revenues from the taxes received were \$7.9 million in FY04 and \$10.2 million in FY05.

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

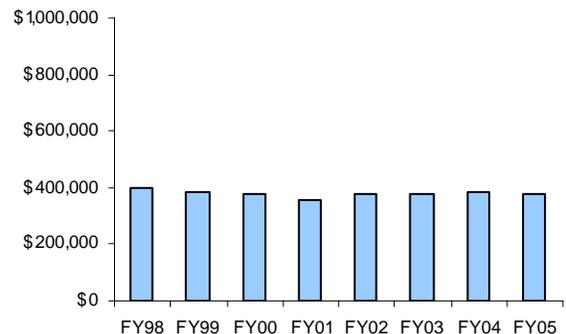


## Assessed Property Values per Student

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 for levies and construction bonds.

The total assessed property values for the District was approximately \$3.9 billion in FY05. The assessed value per student has decreased 5% from \$396,000 to \$376,000.

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

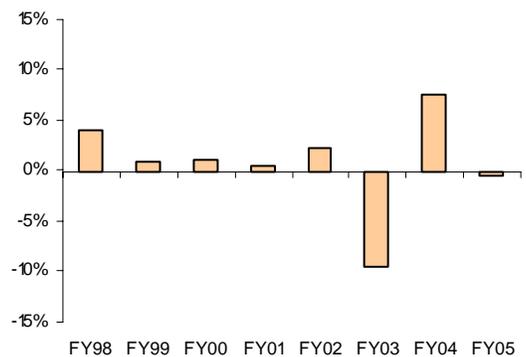


## General Fund Revenue Forecasting

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 surplus over budgeted revenue in the general fund was under 4% for six of the last eight years; it was -9.5% in FY03 and +7.5% in FY04.

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



# Expenditures

## Reynolds School District

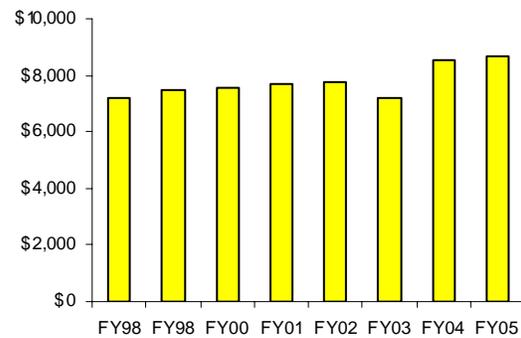
Expenditures are a rough measure of a local government’s service output. Because Oregon governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will 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 accounts for both changes in expenditures and in student populations. The total operating expenditures increased 51% when adjusted for inflation. However, operating expenditures per student only increased 21% from \$7,180 to \$8,671. (See Scope and Methodology for an explanation of student measure.)

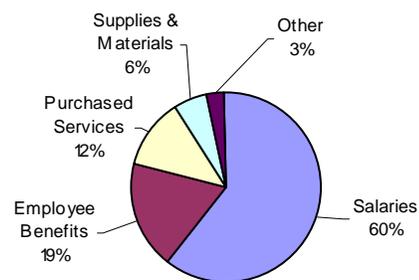
Operating Expenditures per Student (ADMr)  
(adjusted for inflation)



### Operating Expenditures by Type

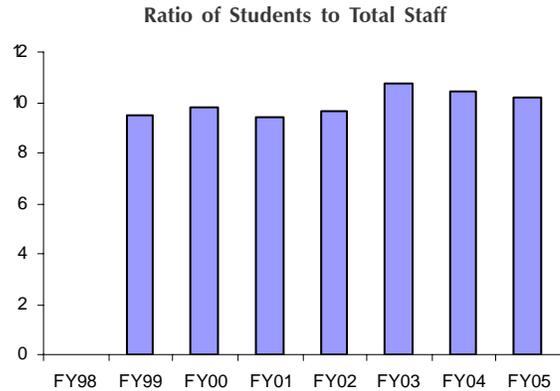
Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, pension costs and life insurance. Purchased services generally are for things such as legal, audit and specialized health and occupational services. Supplies and materials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

Operating Expenditures by Type  
FY05



## Ratio of Students to Total Staff

The ratio of students to total staff increased from 9.5 students to 1 staff in FY98-99 to 9.6 students to 1 staff in FY01-02. Total staff increased 10.9%.



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and educational 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:	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Classroom Instruction*		567.3	586.0	612.6	650.2	606.4	626.8	662.5
Student/Classroom Support		110.5	106.8	98.1	74.9	107.7	104.3	105.0
Individual School Administration		23.0	23.0	23.0	23.0	23.0	24.0	25.0
Individual School Support		161.9	163.2	199.3	208.8	169.3	167.9	171.5
Central Support & Administration		30.1	29.9	35.1	33.5	25.0	45.0	51.0
Other								
<b>Total Staffing</b>		<b>892.8</b>	<b>908.9</b>	<b>968.1</b>	<b>990.4</b>	<b>931.4</b>	<b>968.0</b>	<b>1,015.0</b>

\*Includes teachers and educational assistants

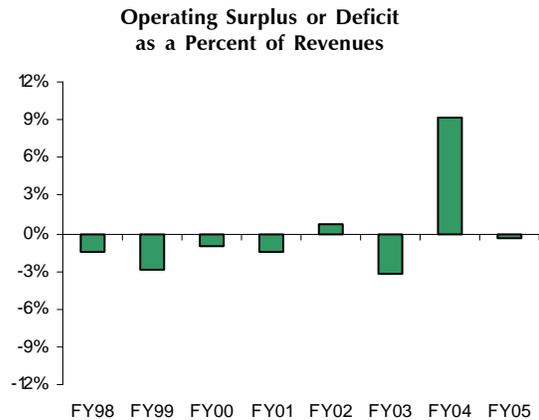
Operating position indicators measure the ability of a district to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating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

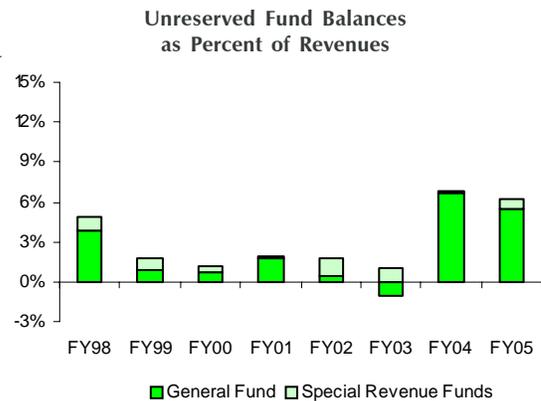
The District's operating surpluses and deficits have been under 4% in seven of the last eight years.



## 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 fund balances for the general fund has generally been under 2% for five of the last eight 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:

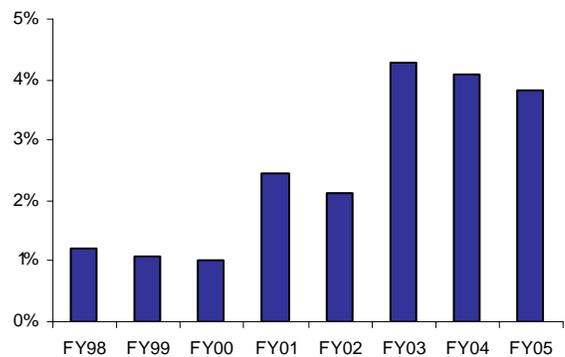
- Long-Term Debt
- Debt Service per Student

### 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 ratio increased from 1.2% to 3.8%. The increase was from voter-approved general obligation bonds of \$45 million issued in December 2000, and \$81 million limited tax pension obligation bonds issued in April 2003.

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

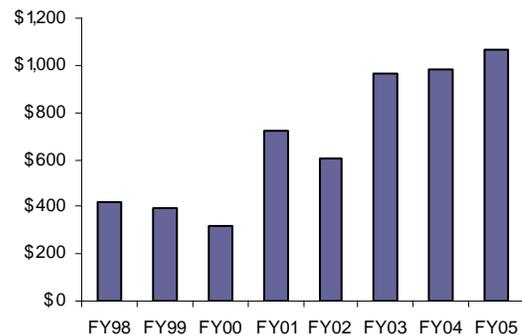


### Debt Service per Student

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 revenue sources. Long-term debt is generally for new school buildings or needed renovations or technology and equipment.

Debt service per student more than doubled from \$419 to \$1,068. The increase is from the general obligation bond issued in December 2000 and limited tax pension bonds issued April 2003.

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



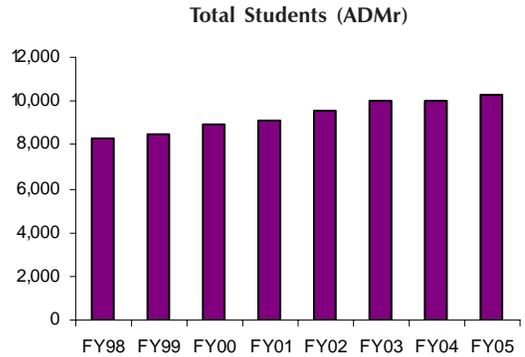
The community needs and resources indicators encompass economic and demographic characteristics including population, personal income, property value, employment, and business activity. Changes in community needs and resources are interrelated in a continuous, cumulative cycle of cause and effect. Community 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

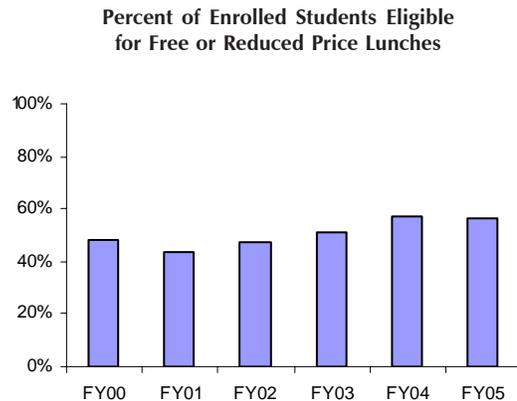
For schools a rapid increase in average number of students has a direct affect on the District’s ability to provide adequate services.

The District had a 25% growth in the average number of students over the last eight years from 8,283 to 10,328.



## 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.

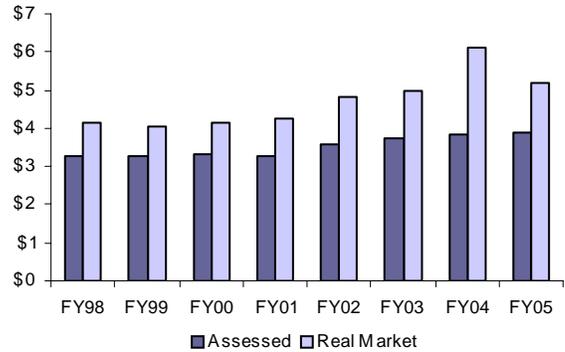


## Property Values

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 18% for assessed value and 25% for real market value when adjusted for inflation.

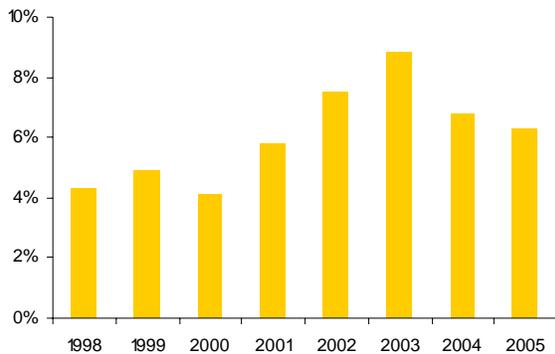
**Property Values**  
(In billions, adjusted for inflation)



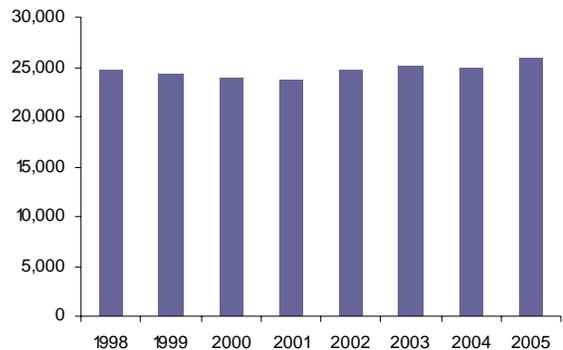
## Unemployment and Business Activity

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 declined in the last two years; and the numbers of businesses has grown. 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.

**Unemployment Rate at June 30 for Tri-County & Vancouver Area**



**Number of Businesses in Multnomah County at December 31**



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**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**

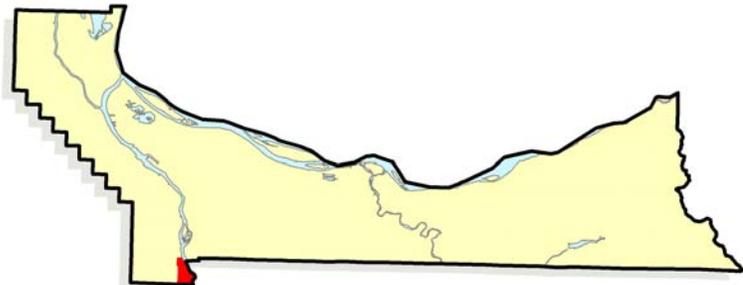
The five directors, who serve without compensation, are elected at-large to four-year terms. Education programs are conducted at one elementary school and one high school facility. Riverdale High School is located on Terwilliger Blvd. outside of District boundaries.

**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.



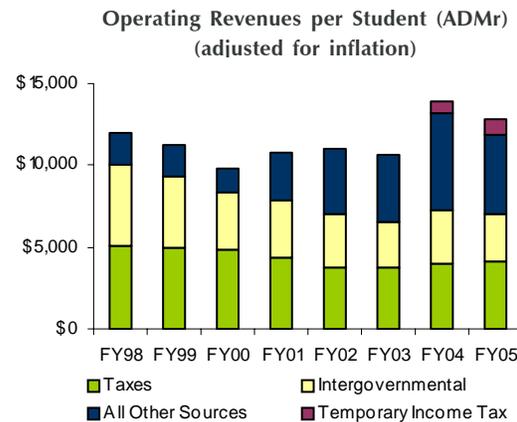
Revenues determine the capacity of the district to provide services. These indicators include only operating revenues, which consist of the District’s general fund and special revenue funds. Information about revenues from the County temporary income tax is shown separately. Debt service funds which 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 40% from \$4.2 to \$5.9 million since FY98. Operating revenues on a per student basis increased 8% from \$11,942 to \$12,858.

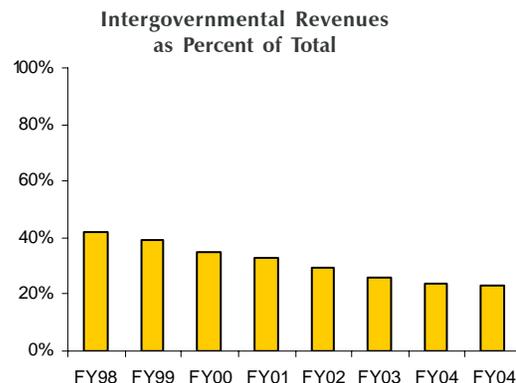
In FY05 revenues from taxes for operations made up 32% of the total, 8% from the temporary income tax, 23% from intergovernmental sources, and 37% other sources. (See Scope and Methodology for an explanation of student measure.)



## 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 FY05 intergovernmental revenues made up 23% of the District’s operating revenues; 93% of this amount was from state sources and 7% from various other governmental grants.



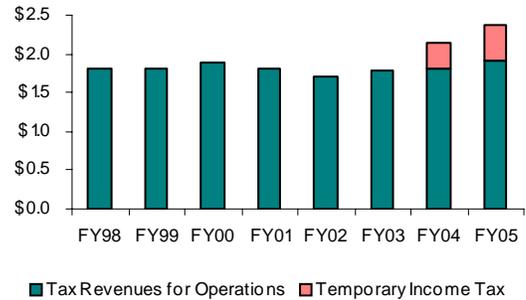
## Tax Revenues for Operations

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 6% when adjusted for inflation. Property taxes made up 32% of operating revenues in FY05. Tax revenues for general obligation bond debt repayment are not included here.

Tax revenues include the Multnomah County three year temporary income tax. Revenues from the taxes received were \$342,000 in FY04 and \$457,000 in FY05

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

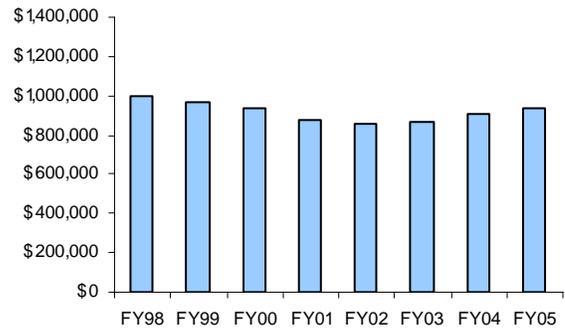


## Assessed Property Values per Student

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 for levies and construction bonds.

The total assessed property values for the District were approximately \$429 million in FY05. The assessed value per student decreased 6.1% from \$994,000 to \$933,000.

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

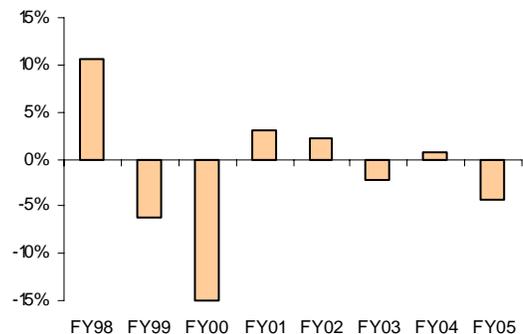


## General Fund Revenue Surpluses or Shortfalls

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 surplus over budgeted revenue in the general fund was 10.6% in FY98 and -4.4% in FY05.

**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 include:

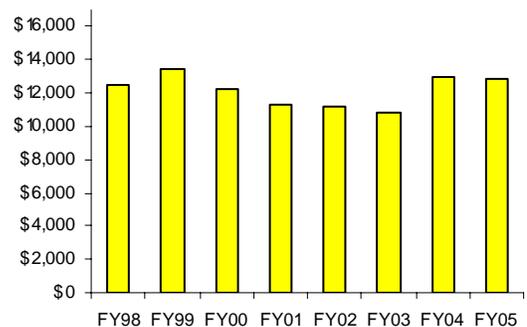
- Operating Expenditures per Student
- Operating Expenditures by Type
- Students to Total Staff
- Total Staff by Function

## Operating Expenditures per Student

Expenditures per student accounts for both changes in expenditures and in student populations.

The total operating expenditures increased 33% when adjusted for inflation. Expenditures per student increased 2.6% from \$12,525 to \$12,851.

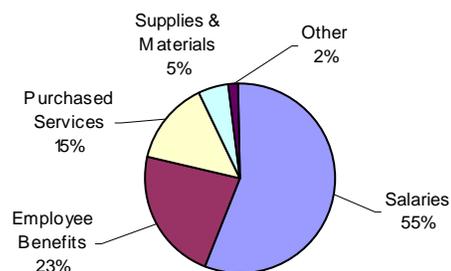
Operating Expenditures per Student (ADMr)  
(adjusted for inflation)



## Operating Expenditures by Type

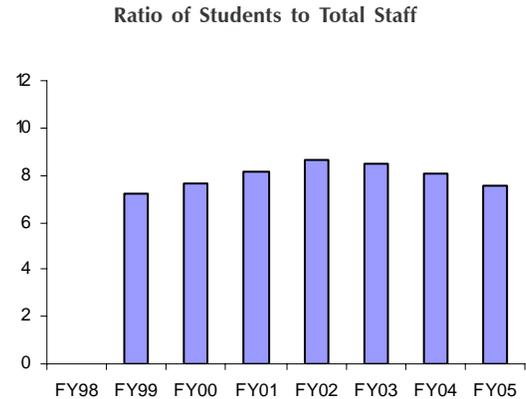
Salaries include both full-time and part-time staff. Employee benefits include health benefits, workers compensation, social security, and pension costs. Purchased services generally are for things such as professional services. Supplies and materials include items such as paper, instructional materials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

Operating Expenditures by Type  
FY05



## Students to Total Staff

The ratio of students to total staff has increased over the last seven years from 7.2 students to 1 staff to 7.6 students to 1 staff. Total staff has increased 19% and number of students increased 30%.



## Total Staff by Function

Staff are divided into five areas:

- Elementary, middle and high school teachers and educational 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:	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Classroom Instruction*		38.0	37.2	38.2	38.2	37.2	37.9	40.7
Student/Classroom Support		3.6	3.6	3.6	3.6	4.3	5.8	6.2
Individual School Administration		4.0	4.0	4.0	4.0	4.0	5.0	6.0
Individual School Support		2.7	2.3	2.0	2.7	6.4	5.5	5.0
Central Support & Administration		3.0	3.5	3.8	3.8	3.8	3.0	3.0
<b>Total Staffing</b>		<b>51.3</b>	<b>50.6</b>	<b>51.6</b>	<b>52.3</b>	<b>55.7</b>	<b>57.2</b>	<b>60.9</b>

\*Includes teachers and educational assistants

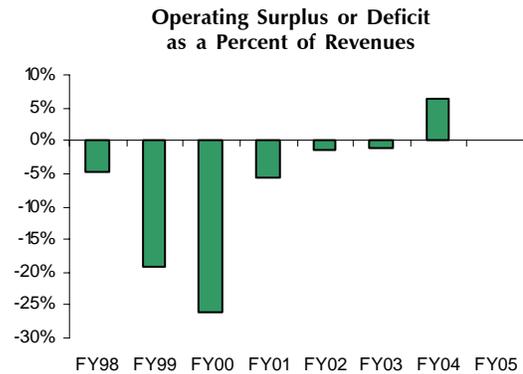
Operating position indicators measure the ability of a district to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time. Funds included are the general fund and special revenue funds. The following indicators measure operating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

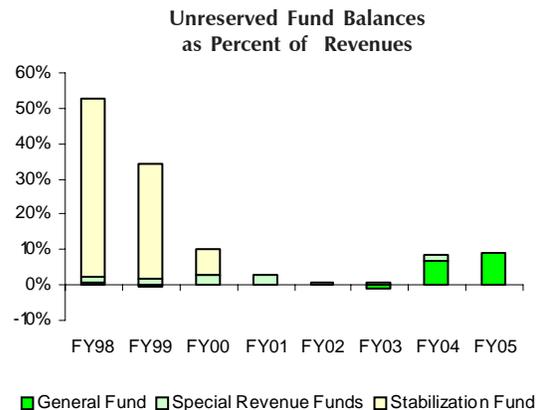
The District's operating deficits were high in FY99 and FY00 because the District used planned reserves during those years as noted in the indicator for unreserved fund balances. The district had operating deficits until FY05.



## 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.



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:

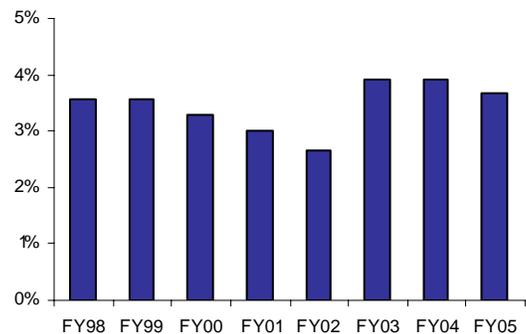
- Long-Term Debt
- Debt Service per Student

**Long-Term Debt**

Long-term debt as a percentage of assessed property values reflects the ability of the District's 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 issued \$4.4 million limited tax pension bonds in April 2003. The District has maintained a ratio under 4% over the last eight years with the ratio 3.6% in FY98 and 3.7% in FY05.

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

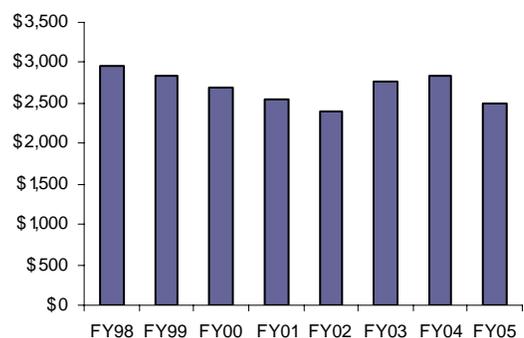


**Debt Service per Student**

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 declined from \$2,957 in FY98 to \$2,500 in FY05.

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



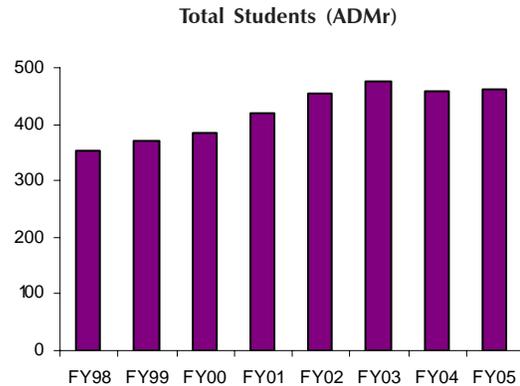
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- Number of Students
- Percent of Students Eligible for Free or Reduced Price Lunches
- Property Values
- Unemployment and Business Activity

## 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.

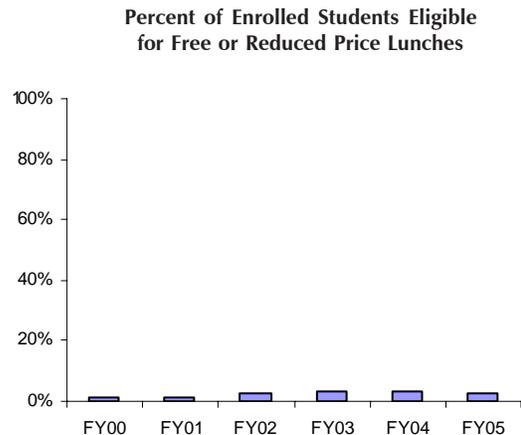
The District has grown 30% in the average number of students over the last eight years, from 354 to 460.



## 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.

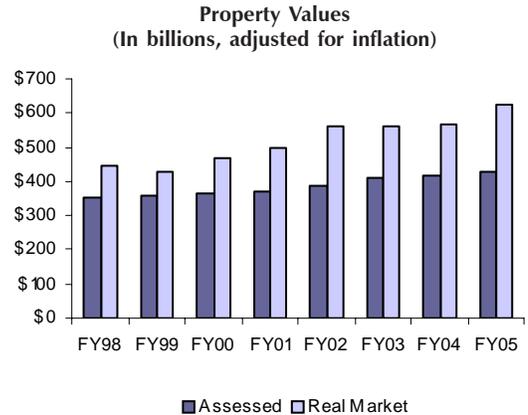
The District did not have a school-lunch program for the years covered in this report.



## Property Values

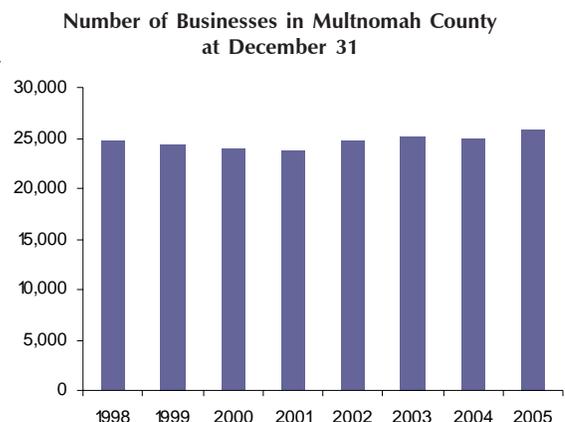
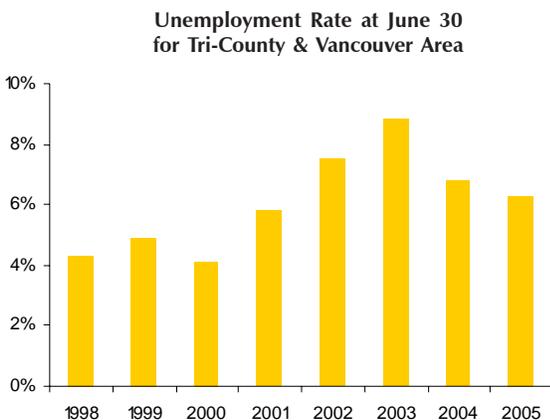
Changes in property values are important because most local governments depend on property taxes for a substantial portion of their revenues. With Oregon's property tax limitations this is not a direct measure of available revenues. However, changes in property values in the District are indicators of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

The total property value for the District has increased 22% for assessed value and has increased 40% 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 declined over the last two years; and the numbers of businesses has grown. 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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## 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 raised 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 was 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 is the second report of this type completed as a result of the tax.

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, FY01 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.

We considered several methods to measure the number of students who attend schools in a district and that could be used to arrive at per student measures. Annually the districts count the number of students in school on October 1. This number is called enrollment and provides a snapshot count for each year. We found four other measures that rely on averaging student enrollment or attendance. Of these four we considered two

measures, ADMr and ADMw because they were more readily available. ADMr is an average year-to-date measure of students who are enrolled, counts kindergarten students as half-time students, and includes only students who reside within the district. ADMw is based on ADMr but also weights the student population based upon special needs.

Because ADMw takes into account the special needs of students, it is an appropriate measure for such activities as determining school funding formulas and allocating staffing. We chose to use ADMr over ADMw because it more closely reflects the actual number of students served by a district and more closely associated with actual workload.

We chose ADMr over the October 1 enrollment count because we considered it a more accurate picture of enrollment over the school year. However, we were forced to use the October 1 enrollment to calculate some per student measures because the only count of the particular attribute was collected during the October 1 enrollment snapshot. The October 1 enrollment snapshot is typically larger than the average count represented in ADMr. We have indicated in the report which measure we are relying on.

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.