

**CITY OF PORTLAND, OREGON
FEDERAL AND STATE GRANT PROGRAMS**

**INDEPENDENT AUDITOR'S REPORTS
AND
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

JUNE 30, 2005

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1 - 2
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	3 - 4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	5 - 10
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	12 - 13
SCHEDULE OF EXPENDITURES OF STATE AWARDS (UNAUDITED)	14-17

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

The City Council
City of Portland, Oregon
Portland, Oregon

We have audited the financial statements of the City of Portland, Oregon as of and for the year ended June 30, 2005, and have issued our report thereon dated December 2, 2005, which includes an explanatory paragraph regarding a prior period adjustment, and which stated that we did not audit the financial statements of Portland Development Commission, the discretely presented component unit, which were audited by other auditors, and that our opinion, insofar as it relates to the amounts included for Portland Development Commission is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City of Portland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Portland's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. During a subsequent receipts test, we discovered that certain franchise fees were being recorded on the cash basis which is contrary to generally accepted accounting principles and the City's policy. The practice resulted in a \$12,179,250 understatement of accounts receivable and net assets of the General Fund for the fiscal year ended June 30, 2004. Management has discontinued the practice of recording the fees on the cash basis and has corrected the error by restating the beginning net assets of the General Fund. This reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing

their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above to be a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Portland in a separate letter dated December 2, 2005.

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

Moss Adams, LLP

Eugene, Oregon
December 2, 2005

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The City Council
City of Portland, Oregon
Portland, Oregon

COMPLIANCE

We have audited the compliance of the City of Portland, Oregon (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

We have audited the financial statements of the City as of and for the year ended June 30, 2005, and have issued our report thereon dated December 2, 2005, which includes an explanatory paragraph regarding a prior period adjustment, and which stated that we did not audit the financial statements of Portland Development Commission, the discretely presented component unit, which were audited by other auditors, and that our opinion, insofar as it relates to the amounts included for the Portland Development Commission is based on the report of the other auditor. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

Moss Adams, LLP

Eugene, Oregon
December 2, 2005, except for Homeland Security Grant Cluster,
For which procedures were performed through January 12, 2006

**CITY OF PORTLAND, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Award	Federal Expenditures
Federal /State Grants Fund				
U.S. Dept. of Agriculture				
Direct Programs:				
Wholesale Market Development				
USDA PUBLIC MARKET ASSESSMENT	10.164	12-25-A-4259	\$ 70,000	\$ 70,000
Passed through Drake University				
Crop Insurance				
Drake Food Policy	10.450	Drake University	10,000	5,792
Drake Food Policy 04/05	10.450	Drake University	16,000	7,455
Passed through Oregon Dept. of Forestry				
Cooperative Forestry Assistance				
TREE BENEFIT ASSESSMENT	10.664	CFA#04-16	3,000	1,999
UF OUTREACH & STREET TREE INVENTORY	10.664	CFA #05-18	6,500	2,006
URBAN FOREST CANOPY STUDY	10.664	CFA 04-15	10,000	157
Passed through U.S. Forest Service				
Cooperative Forestry Assistance				
BULL RUN CONSENSUS - USFS	10.664	01-PA-11060600-535	139,099	19,727
Total U.S. Dept. of Agriculture			254,599	107,136
U.S. Dept. of Commerce				
Direct Programs:				
Economic Development				
EDA COMP ECON DEV STRATEGY	11.302	07-87-05539	75,000	75,000
Economic Adjustment Assistance				
EDA Revolving Loan Fund (FUND 451)	11.307	07-39-02093	1,625,000	309,842
EDA Real Estate Revolving Loan Fund (FUND 452)	11.307	07-39-02259	1,258,276	59,960
Habitat Conservation				
NOAA ICWR 01	11.463	NA17FZ1506	75,000	(6,170)
NOAA Tyron Creek	11.463	NA04NMF4630098	125,000	47,459
Technology Opportunities Program				
Portland Area Housing Clearinghouse (PAHC) 00	11.552	41-60-00012	480,000	120,020
Total U.S. Dept. of Commerce			3,638,276	606,111
U.S. Dept. of Housing and Urban Development				
Direct Programs:				
Emergency Shelter Grants Program				
Emergency Shelter 04	14.231	S-04-MC-41-0001	452,707	387,741
Emergency Shelter 03	14.231	S-03-MC-41-0001	408,000	27,344
Supportive Housing Programs				
Homeless Management Information System	14.235	OR16B301013	482,731	320,072
SNAP Pathways	14.235	OR16B301003	237,332	46,870
McKinney Horizons 2003	14.243	OR16B201007	224,068	112,854
Jean's Place 2003	14.243	OR16B201004	486,083	243,041
McKinney Special Needs 2003	14.235	OR16B201005	251,164	146,077
SNAP Pathways	14.235	OR16B001006	355,997	85,246
Housing Opportunities for Persons with AIDS				
HOPWA 04	14.241	ORH04-F001	1,006,000	-
HOPWA 03	14.241	ORH03-F0001	995,000	665,667
Opportunities for Youth - Youthbuild Program				
Youthbuild 03	14.243	Y-03-1M-OR-0264	675,000	403,047
Youthbuild 04	14.243	Y-04-1M-OR-0099	685,000	70,094
Youthbuild 2002	14.243	Y-02-1M-OR-0352	642,840	24,181

See accompanying notes.

**CITY OF PORTLAND, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Award	Federal Expenditures
Community Development Block Grants/Brownfields Economic Development Initiative				
EDI Special Project	14.246	B-01-SP-OR-0511	598,680	113,683
HUD PORTLAND PUBLIC MARKET	14.246	B-04-SP-OR0626	99,410	-
STREETCAR-RIVERPLACE EXT EDI	14.246	B-03-SP-OR-0632	536,490	-
STREETCAR EASTSIDE HUD	14.246	B-04-SP-OR-0632	198,820	20,392
HUD STREETCAR NH INTEGRATION	14.246	B-04-SP-OR-0625	89,469	89,469
N MACADAM GREENWY HUD EDI	14.246	B-02-SP-OR-0587	50,000	50,000
HUD S WATERFRONT INFRASTRUCTURE	14.246	B-04-SP-OR-0630	795,280	-
HUD S WATERFRONT HOUSING	14.246	B-04-SP-OR-0631	397,640	-
Community Development Block Grants - Section 108 Loan Guarantees				
SECTION 108 LOANS - PDC	14.248	B-97-MC-41-0003	8,000,000	2,129,040
New Villa Section 108	14.248	B-02-MC-41-0003	11,457,000	4,693,708
Demolition and Revitalization of Severely Distressed Public Housing				
HOPE VI Columbia Villa Environmental Reviews	14.866	NC0009	238,251	-
HAP HOPE VI-SCHROEDER	14.866	CITY CONT#52223	130,000	-
NW COLUMBIA PARK-HAP	14.866	HAP-PPR2003	5,000	1,456
PROJ HOPE VI HAP FY 03/04	14.866	CITY CONT# 52103	764,175	97,507
PROJ HOPE VI HAP FY 03/04	14.866	CITY CONT# 52103	431,914	154,677
PROJ HOPE VI HAP FY 03/04	14.866	CITY CONT# 52103	193,200	162,078
Lead Based Paint Hazard Control in Privately-Owned Housing				
Lead Based Paint 04	14.900	ORLHB0192-04	3,000,000	651,490
Lead Based Paint 2002	14.900	ORLHB0192-01	3,001,202	827,867
Passed through Portland Community College				
Community Development Block Grants/Entitlement Grants COPC PCC	14.218	N/A	12,000	11,000
Passed through Multnomah County				
Community Development Block Grants/Entitlement Grants Multi Co CDBG 04/05	14.218	4600004927	7,891	7,891
Multi Co HCDC 03/04	14.218	4600004111	6,897	-
Passed through City of Gresham				
Community Development Block Grants/Entitlement Grants Gresham CDBG 04/05	14.218	N/A	21,043	21,043
Gresham HCDC 03/04	14.218	52068	14,000	-
Passed through City of Gresham				
Community Development Block Grants/Entitlement Grants Housing Connections	14.218	N/A	15,000	10,083
HC Other	14.218	N/A	2,745	-
Passed through Housing Authority of Portland				
Public and Indian Housing Drug Elimination Program HAP Central 2004	14.854	52206	71,433	56,939
Total for U.S. Dept. of Housing and Urban Development			<u>37,039,462</u>	<u>11,630,557</u>
U.S. Dept. of Interior				
Direct Programs:				
Water Reclamation and Reuse				
USFWS TNWF	15.504	1425-02-FG-10-8080	47,100	6,911
Wildlife Restoration				
POWELL BUTTE REVEG USFWS	15.611	1448-13420-03-J336	10,000	7,388
GABRIEL PK-VERMONT CREEK REV	15.611	13420-04-J434	10,000	2,153
HEADWATERS OF TRYON CREEK-USFWS	15.611	1448-13420-03-J337	30,000	-
U.S. Dept. of Fish and Wildlife				
USFWS Notebook	15.617	134204M149	10,000	-
USFWS OMSI-SPRINGWATER REVEG	15.617	1448-13420-01-J142	20,000	2,858
Open Meadows School	15.617	1448-13420-02-J-242	23,141	2,526
Migratory Bird Joint Ventures				
URBAN MIGRATORY BIRD -USFWS	15.637	98210-3-G697	50,000	5,019

See accompanying notes.

**CITY OF PORTLAND, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Award	Federal Expenditures
Urban Park and Recreation Recovery Program UNIV PK PH2A UPARR GRANT	15.919	41-CTY-1650-0201	525,000	6,587
U.S. Fish and Wildlife Service USFWS Oaks Bottom	15.FFB	1448-13420-03-J334	30,000	22,195
Passed through Oregon Department of Fish and Wildlife Cooperative Endangered species Coconservation Fund SANDY RIVER BASIN HABITAT USFWS	15.615	PDFW#001-3049S-FISH	455,000	111,149
Passed through State Historic Preservation Office Historic Preservation Fund Grants-In-Aid SHPO FY 03/04	15.904	HPF OR-03-14	3,000	-
SHPO FY 04/05	15.904	HPF OR-04-11	17,437	3,021
SHPO FY 04/05	15.904	HPF OR-04-11	22,763	14,447
Passed through Oregon Parks and Recreation Outdoor Recreation - Acquisition, Development and Planning WILKES NH PK - LWCF	15.916	NPS#41-01490/ OR PKS# OP2418	57,289	-
IRVING PARK PLAYING FIELD REHAB	15.916	N/A	72,500	-
Total for U.S. Dept. of Interior			<u>1,383,230</u>	<u>184,254</u>
U.S. Dept. of Justice				
Direct Programs				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Office On Violence Against Women 03	16.590	2003-WE-BX-0072	498,724	202,605
Local Law Enforcement Block Grants Program				
BJA Block Grant 2003	16.592	2003-LB-BX-2553	544,876	307,272
2004 BJA Block Grant	16.592	2004-LB-BX-1236	242,158	20,684
BJA Block Grant 2002	16.592	2002-LB-BX-1960	760,404	168,076
Executive Office of Weed and Seed				
DEA Weed & Seed 97/98	16.595	N/A	200,547	(6,454)
DEA Weed & Seed 99/00	16.595	N/A	25,000	-
Lents/Brentwood 03/04	16.595	N/A	28,050	2,340
Lents/Brentwood 04/05	16.595	N/A	28,000	16,541
Albina Weed & Seed 04/05	16.595	N/A	38,700	1,551
DEA Weed & Seed 00/01	16.595	N/A	51,312	-
Albina Weed & Seed	16.595	2002WSQX0009	42,500	23,692
Community Prosecution and Project Safe Neighborhoods				
PROJECT SAFE NH - DOJ	16.609	2003-GP-CX-0168	250,000	145,670
Project Safe Neighborhood	16.609	2003-BP-CX-0167	249,992	133,017
Public Safety Partnership and Community Policing Grants				
Homeland Security Overtime	16.710	2003OLWX0015	983,326	198,022
COPS TECHNOLOGY 2003	16.710	2003CKWX0172	645,775	188,241
2004 COPS Technology	16.710	2004-CK-WX-0137	98,948	-
COPS Integrity	16.710	2002HSWX0026	75,000	509
Value Based Initiative II	16.710	2002HSWXK029	105,000	32,224
COPS In Schools 2001	16.710	2001SHWX0631	1,875,000	344,550
Value Based Initiative	16.710	2001CKWXK079	200,000	-
COPS More 2002	16.710	2002CLWX0049	138,281	27,039
COPS More 98	16.710	98CLWX0183	3,931,824	287,616
Police Corps				
Police Corp Officer Reimb	16.712	N/A	640,000	112,952
Gang Resistance Education and Training				
Great Regional 05	16.737	2005-JV-FX-K005	245,000	112,040
Great Local 2004	16.737	2004-JV-FX-0102	234,902	234,902
Community Prosecution and Project Safe Neighborhoods				
PSN Detectives	16.609	2003-GP-CX-0181	191,096	71,680

See accompanying notes.

**CITY OF PORTLAND, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Grant Award	Federal Expenditures
Crime Victims Assistance				
VOCA 2004	16.575	04-2275	40,000	18,959
VOCA 2002	16.575	02-1918	80,000	10,080
Edwary Byrne Memorial State and Local Law Enforcement Assistance Descretionary Grants Program				
MTF 2004	16.580	2004-91	24,000	23,186
Police Corps				
Police Corp 01/02	16.712	2002-PO-R-031	2,556,809	558,788
Urban Area Security Initiative				
UASI 03	16.011	03-071	700,000	-
UASI 03	16.011	03-071	2,184,525	943,585
UASI 03	16.011	03-071	3,073,459	1,864,071
UASI 03	16.011	03-071	808,124	336,967
UASI 04	16.011	04-071	1,039,787	685,879
UASI 04	16.011	04-071	6,184,733	2,751,518
UASI 04	16.011	04-071	888,473	535,269
Total for U.S. Dept. of Justice			<u>29,904,325</u>	<u>10,353,071</u>
U.S. Dept. of Transportation				
Direct				
State and Community Highway Safety				
FHWA TRANSP OPS DEMO	20.600	DTFH61-05-H-00004	200,000	-
Passed through the Port of Portland				
Airport Improvement Program				
PDX PLANNING	20.106	N/A	88,572	-
Passed through Oregon Dept. of Transportation				
Highway Planning and Construction				
UNION STATION IMPROVEMENTS	20.205	ODOT CONT#20942	1,036,426	20,895
RED ELECTRIC LINE STUDY	20.205	ODOT#19702	135,000	35,527
ODOT SPRINGWATER 3 BRIDGES	20.205	ODOT #19484/KEY#11456	4,209,000	67,674
DIVISION GREEN STREET TGM	20.205	AGMT#21873/1O-03/EA#TGM6LA14	128,500	128,500
BIKEWAY NETWORK SIGNAGE	20.205	ODOT #18158	128,100	217
1-5 DELTA PARK	20.205	ODOT#21031	20,646	-
TEA 21 - VARIOUS PROJECTS	20.205	VARIOUS FAU/FAIX NOS.	2,626,872	301,756
FREIGHT MASTER PLAN	20.205	AGMT#21903/1W-03/EA#TGM6LA53	84,700	84,700
TRAVELSMART-ODOT	20.205	ODOT #21353	200,000	192,235
ODOT Work Zone 03	20.205	20914	115,618	85,731
VARIOUS FAU/FAIX GRANTS	20.205	VARIOUS FAU/FAIX NOS.	4,459,378	-
ISTEA-INTERMODAL ENHANCEMENT	20.205	VARIOUS FAU/FAIX NOS.	11,717,197	1,564,212
LOVE/OY RAMP NW	20.205	X-STP-5900(90)/ODOT#14960	3,143,753	-
WATER STATE FORCE WORK ORDERS	20.205	VARIOUS FAU/FAIX NOS.	7,195,314	59,143
Capital Assistance Program for Elderly Persons and Persons with Disabilities				
ODOT AUDIBLE PED SIGNALS/SIGNS	20.513	ODOT #18821	13,714	(132)
AUDIBLE PED SIGNALS FY 02/04	20.513	ODOT #20131 (5310 STP)	152,541	74,495
Traffic Safety Division				
COMM TRAFFIC SAFETY 05/06	20.600	SA-05-25-05	100,000	19,242
SAFE COMMUNITIES FY 03/04	20.600	QN-04-27-05	100,000	53,653
Passed through Tri-County Metropolitan Transportation				
Federal Transit - Capital Investment Grants				
CARPOOL MATCH 04/05	20.205	TRI-MET#04-0813/CITY CONTRACT 52:	135,000	105,414
CARPOOL MATCH NW	20.205	TRIMET#03-0818/CITY CONTRACT 52:	136,000	-
Passed through Multnomah County				
Highway Planning and Construction				
MULTCO UNINCORPORATED AREAS	20.205	TGM#21521/11-03/TGM6LA08	60,000	58,155

See accompanying notes.

**CITY OF PORTLAND, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Grant Award	Federal Expenditures
Passed through Tri-County Metropolitan Transportation				
Federal Transit-Capital Investment Grants				
TRIMET PIR MITIGATION	20.500	TRI-MET C# 02-0788	184,500	11,149
DOWNTOWN MALL LRT	20.500	N/A	-	-
DOWNTOWN MALL LRT	20.500	N/A	-	-
DOWNTOWN MALL LRT	20.500	N/A	-	472
TRANSIT MALL	20.500	N/A	-	131,000
I-205 LIGHT RAIL	20.500	N/A	-	-
I-205 LIGHT RAIL	20.500	N/A	-	(6,211)
I-205 LIGHT RAIL	20.500	N/A	-	1,332
I-205 LIGHT RAIL	20.500	N/A	-	3,500
JOBACCESS INTERSTATE	20.500	TRIMET#GH040187 MO	160,000	68,465
INTERSTATE MAX FINAL DESIGN	20.500	TRIMET#01-0613	540,696	-
INTERSTATE MAX FINAL DESIGN	20.500	TRIMET#01-0613	12,665	423
INTERSTATE MAX FINAL DESIGN	20.500	TRIMET#01-0613	3,224,659	65,771
INTERSTATE MAX FINAL DESIGN	20.500	TRIMET#01-0613	3,494,468	(9,145)
TRIMET STREAMLINE PROGRAM	20.500	TRIMET#GA-00-0658	3,300,000	200,189
Federal Transit Formula Grants				
TRAVELSMART: INTERSTATE	20.507	N/A	300,000	111,185
Total Federal Transit Cluster			11,216,988	578,130
Passed through Oregon Association of Chiefs of Police State and Community Highway Safety				
OACP DUII 03/04	20.600	N/A	50,000	10,431
OACP Safetybelt 03/04	20.600	N/A	49,000	9,258
OACP Safetybelt 3 Flags 04/05	20.600	N/A	45,000	38,150
OACP DUII 04/05	20.600	N/A	50,400	30,329
Total for U.S. Dept. of Transportation			47,597,719	3,517,714
U.S. Dept. of the Treasury				
Direct Programs:				
Alcohol, Tobacco, and Firearms Training Assistance				
Great 00 Local	21.052	ATC000106	402,284	-
Great Local 01/02	21.052	ATC020181	276,356	(6,036)
Great Regional 2002	21.052	ATC3000285	220,000	-
Great Local 2003	21.052	ATC03000228	234,902	(7,733)
GREAT REGIONAL 2004	21.052	ATC04004	220,000	140,493
Total for U.S. Dept. of the Treasury			1,353,542	126,724
U.S. Environmental Protection Agency				
Direct Programs:				
Brownfields Pilot Cooperative Agreements				
EPA SMART GROWTH HANDBOOK	66.811	X-83047601-0	45,000	29,138
EPA BROWNFIELD SHOWCASE FY 03/04	66.811	BF-970688-01-0	325,000	71,963
EPA BROWNFIELD SHOWCASE COMM	66.811	BP9980295-01-3	79,540	71,297
EPA BROWNFIELDS SHOWCASE	66.811	BP-980295-01-3	200,000	107,613
EPA BROWNFIELD SHOWCASE COMM	66.811	BP980295-01-3	201,459	-
BROWNFIELD REVOLVING LOAN -EPA	66.811	BL-98066201-0	500,000	-
Brownfields Assessment and Cleanup Cooperative Agreements				
EPA BROWNFIELDS CLEANUP	66.818	BF-97068401-0	200,000	174,664
EPA PARCEL 8 @RIVERPLACE	66.818	BF-97097301-0	200,000	-
EPA Division S1 Remediation	66.818	52256	200,000	3,164
COLUMBIA SLOUGH REVITALIZATION	66.818	XP990596-01-1	10,000,000	96,962
EPA Tanner Creek II	66.818	XP990808-01-0	8,000,000	-
EPA Infrastructure Grant 02	66.818	XP97045801-0	1,212,500	494,420
Targeted Watershed Grants				
EPA Indoor Air Quality	66.034	XA-97083501-0	19,000	16,799
Passed through Lane Regional Air Pollution Agency				
Air Pollution Control Program Support				
EL RAPA TEN TOES	66.001	N/A	100,000	23,137
LOW SULFUR DIESEL- FLEET	66.034	XA-83168401-0/LRAPA #ULSD-0005	25,000	-

See accompanying notes.

**CITY OF PORTLAND, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Grant Award	Federal Expenditures
Passed through Lower Columbia River Estuary Partnership Targeted Watershed Grants EPA Smith & Bybee Lakes	66.439	03-2004	70,000	31,255
Passed through Oregon Dept. of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds Sewer Expansion	66.458	R76164	6,404,380	119,016
Chlorine Conversion	66.458	R74165	3,652,129	499,741
Nonpoint Source Implementation Grants DEQ Toxics Evaluation	66.458	081-04	12,500	12,500
Total for U.S. Environmental Protection Agency			<u>31,446,508</u>	<u>1,751,669</u>
U.S. Dept. of Energy				
Passed through National Association of State Energy Officials Renewable Energy Research and Development National Association of State Energy Officials 03	81.087	DE-FC-36-02GO12106	52,250	(885)
Passed through Public Technology Inc. USDOE PTI 02	N/A	N/A	22,500	-
Total for U.S. Dept. of Energy			<u>74,750</u>	<u>(885)</u>
Federal Emergency Management Agency				
Direct Programs: FEMA PUBLIC INFO GNT	83.554	EMW-2003-FG-19145	208,285	24,210
2002 FEMA ASST. TO FIREFIGHTERS	85.554	EMW-2002-FG-12528	260,610	42,816
FEMA CITIZEN CORP SPONSORSHIP	85.554	N/A	5,000	2,725
Passed through Oregon Emergency Management HAZARD MITIGATION GRANT	83.548	N/A	28,870	28,870
Total for Federal Emergency Management Agency			<u>502,765</u>	<u>98,621</u>
Dept. of Health and Human Services				
Direct Programs: Metropolitan Medical Response Systems US PUBLIC HEALTH SERVICE GRANT	N/A	CONTRACT#282-99-0035	600,000	-
MMRS PURCH CONTRACT 03/04	N/A	CONTRACT#233-03-0098	280,000	1,367
Passed through Multnomah County Medical Assistance Program SENIOR CITIZEN MR/DD 03/04- DSI	93.778	MULT CO #4600004232	965	965
SENIOR CITIZEN MR/DD 03/04- MULTCO	93.778	MULT CO #4600004232	162,448	20,301
SENIOR CENTER 04/05- MULTCO	93.778	MULTCO #4600004843	135,610	117,273
SENIOR CENTER 04/05 DSI	93.778	CITY CONTRACT #52228	-	-
SENIOR CENTER 04/05 DSI	93.778	CITY CONTRACT #52442	-	-
Total for Dept. of Health and Human Services			<u>1,179,023</u>	<u>139,906</u>
U.S. Department of Homeland Security				
Passed through Office of Emergency Management Flood Mitigation Assistance FLOOD MITIGATION GRANT	97.029	FEMA EMS-2005-GR-0022	13,700	13,700
Public Assistance Grants WINTERSTORM 2004 BES	97.036	OEM#1510-DR-OR	7,346	282
WINTERSTORM 2004 MAINT	97.036	OEM#1510-DR-OR	1,229,054	16,502
WINTERSTORM 2004 FAC	97.036	OEM#1510-DR-OR	36,128	2,534
WINTERSTORM 2004 FIRE	97.036	OEM#1510-DR-OR	60,748	1,578
WINTERSTORM 2004 PARKS	97.036	OEM#1510-DR-OR	48,840	25,577
WINTERSTORM 2004 POLICE	97.036	OEM#1510-DR-OR	5,263	137
WINTERSTORM 2004 WATER	97.036	OEM#1510-DR-OR	244,458	7,196

See accompanying notes.

CITY OF PORTLAND, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Grant Award	Federal Expenditures
Assistance to Firefighters Grant DHS BROADCAST MESSAGES	97.044	EMW-2004-FG-14416	242,354	160,104
State Homeland Security Program ODOT CAD TO CAD	97.073	SHS 03-159/ODOT 21851	400,000	-
SHSP 04	97.073	04-293	206,526	-
SHSP 04	97.073	04-293	525,994	120,626
SHSP 04	97.073	04-293	45,500	-
SHSP 04	97.073	04-293	576,847	-
SHSP 04	97.073	04-293	420,280	12,463
Law Enforcement Terrorism Prevention Program CITIZENS CORPS TRAINING	97.074	04-134	37,099	1,504
LETPP 05/06	97.074	05-174	82,500	-
LETPP	97.074	04-180	1,894	-
LETPP	97.074	04-180	63,125	-
Passed through Office of Emergency Management Emergency Management Performance Grants EMERGENCY MGMT 03/04	97.042	N/A	108,655	46,335
EMERGENCY MGMT 04/05	97.042	N/A	98,499	70,339
Citizen Corp FEMA CERT GRANT FY 03/04	97.053	EMS-2003-GR-4082	42,028	-
OEM CERT TRAINING 04	97.053	N/A	17,287	4,737
Metropolitan Medical Response System MMRS 04/05	97.071	EMW-2004-GR-0715	400,000	174,442
Passed through Multnomah County Domestic Preparedness Equipment Support Program 02/03 ODP EQUIP GNT MULTCO	16.007	N/A	687,046	405,628
02/03 ODP EQUIP GNT MULTCO	16.007	N/A	33,786	-
02/03 ODP EQUIP GNT MULTCO	16.007	N/A	1,143,566	107,553
02/03 ODP EQUIP GNT MULTCO	16.007	N/A	1,004,366	449,520
02/03 ODP EQUIP GNT MULTCO	16.007	N/A	86,727	49,128
Passed through Oregon Criminal Justice Services Division Domestic Preparedness Equipment Support Program STATE PREPAREDNESS EQUIP-CJSD	16.007	01-118	107,500	793
STATE PREPAREDNESS EQUIP-CJSD	16.007	01-118	161,908	18,853
STATE PREPAREDNESS EQUIP-CJSD	16.007	01-118	42,701	-
CRITICAL INFRASTRUCTURE PROTECTION	16.007	03-191	100,000	-
CRITICAL INFRASTRUCTURE PROTECTION	16.007	03-191	123,500	-
CRITICAL INFRASTRUCTURE PROTECTION	16.007	03-191	376,500	-
Total Homeland Security Grant Cluster			4,534,069	1,327,328
Total for U.S. Dept. of Homeland Security			8,781,724	1,689,531
TOTAL FEDERAL GRANTS			163,155,923	30,204,410
Housing and Community Development Fund U.S. Dept. of Housing and Urban Development				
Direct Programs: Community Development Block Grant/Entitlements CDBG 02	14.218	B-03-MC-41-0003	12,376,000	8,141,791
CDBG 03	14.218	B-04-MC-41-0003	12,105,000	6,277,403
CDBG Program Income	14.218	Program Income	-	2,017,912
Total Housing and Community Development Fund			24,481,000	16,437,106

**CITY OF PORTLAND, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Grant Award	Federal Expenditures
HOME Fund				
U.S. Dept. of Housing and Urban Development				
Direct Programs				
HOME Investment Partnerships Program				
HOME 00	14.239	MC-00-DC-41-0203	4,273,000	50,000
HOME 01	14.239	MC-01-DC-41-0204	4,758,000	108,390
HOME 02	14.239	MC-02-DC-41-0203	4,758,000	3,904,964
HOME 03	14.239	MC-03-DC-41-0203	4,868,221	2,398,818
HOME 04	14.239	MC-04-DC-41-0203	5,421,279	90,762
Home Program Income	14.239	Program Income	-	520,680
Total HOME Fund			<u>24,078,500</u>	<u>7,073,614</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 211,715,423</u>	<u>\$ 53,715,130</u>

CITY OF PORTLAND, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - ACCOUNTING POLICIES

General - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Portland, Oregon. The City's financial reporting entity is described in note I.A to the City's basic financial statements. Financial assistance received directly from federal agencies as well as financial assistance passed through other government agencies are included in the accompanying schedule.

Basis of accounting - The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in note I.C to the City's basic financial statements.

Relationship to basic financial statements - Financial assistance revenues are reported in the City's basic financial statements included with revenues from federal and state sources, as described in note I.C to the City's basic financial statements.

NOTE 2 - LOAN BALANCES

The City of Portland has outstanding loan receivable balances which are underwritten by federal loan programs administered by the U.S. Department of Commerce.

The Industrial Sites Loan Program has an outstanding loan balance of \$1,062,301 at June 30, 2005. The Revolving Loan Program has an outstanding loan balance of \$1,050,544 at June 30, 2005.

During the year ended June 30, 2005, expenses of \$23,059 and \$18,587, respectively, were charged to each program, primarily for costs associated with administration of the grant. For the year ended June 30, 2005, program income of \$67,380 and \$55,680, respectively, was earned, primarily through investment interest income and interest earned on loans.

**CITY OF PORTLAND, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:
Material weakness(es) identified? X yes no
Reportable condition(s) identified
not considered to be material weakness(es)? yes X none reported
Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes X no
Reportable condition(s) identified not considered
to be material weakness(es)? yes X none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133? yes X no

**CITY OF PORTLAND, OREGON
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2005**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS (continued)

Identification of audited major programs:

<i>CFDA Number(s)</i>	<i>Federal Agency</i>
14.218	U.S. Department of Housing and Urban Development Community Development Block Grants
16.590	U.S. Department of Justice Office on Violence Against Women
66.818	Environmental Protection Agency Brownfields Assessment and Cleanup Cooperative Agreements
97.008 16.007/97.042/ 97.053/97.071	U.S. Department of Homeland Security Urban Area Security Initiative Homeland Security Grant Cluster

Dollar threshold used to distinguish between Type A
and Type B programs:

\$ 1,611,454

Auditee qualified as low-risk auditee?

X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

05-1 Franchise Fee Revenue

Criteria - GASB No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* provides guidance on nonexchange transactions. This Statement identifies four classes of nonexchange transactions based on shared characteristics that affect the timing of revenue recognition. The assessment and collection of the franchise fees by the City falls under the derived tax revenue transactions defined by GASB No. 33 as transactions:

“...which result from assessments imposed on exchange transactions (for example, income taxes, sales taxes, and other assessments on earnings or consumption)”

Condition - The City collects franchise fees from certain utility providers on a quarterly basis (Portland Gas & Electric Co., NW Natural Gas, Qwest, etc.). The franchise fees are based on a percentage of total charges to utility customers and average between 4-5%. The utility companies levy and collect the fees from their customers, then remit the fees to the City of Portland each quarter. Typically, the City receives payment within 45 days of quarter-end. The City has

**CITY OF PORTLAND, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

accounted for the franchise fee revenues on a cash basis and has never recorded a receivable or accrued revenue prior to receipt. The City considers revenue to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within sixty days of the end of the current reporting period.

Cause - The City issues its financial statements under the GASB No. 34 reporting model and accordingly, issues Government-Wide Statements on the full accrual basis of accounting. GASB No. 33 specifies the timing and recognition for assets and revenues of derived tax revenue transactions as follows on the full accrual basis:

Assets – when the underlying exchange transaction occurs or resources are received, whichever is first.

Revenues – when the underlying exchange transaction occurs. (On the modified accrual basis of accounting, revenues should be recognized when the underlying exchange has occurred and the resources are available.) Resources received before the underlying exchange has occurred should be reported as deferred revenues (liabilities).

The “underlying exchange” which triggers recognition occurs when the utility company provides service to their customer. At this point, all parties involved (utility customer, utility company and the City) simultaneously recognize the transaction.

Therefore, the City should accrue the franchise fee revenue and related receivable in both the Governmental and Government-Wide Statements.

Effect - Based on franchise fee revenue received early in fiscal year 2004-05 management determined the franchise fee receivable as of June 30, 2004 should have been \$12,179,250, which was not recorded. Beginning fund balance as of July 1, 2004 (beginning of current fiscal year) has also been adjusted to reflect the impact of recording the franchise fee receivable.

In addition, fiscal year 2004-05 franchise fee revenue should have been \$502,077 higher than originally reported. This amount is the difference between cash basis franchise fee revenue collected during 2004-05 and accrual basis franchise fee revenue which should have been recorded during 2004-05. The client made this adjustment to their books.

Recommendation - We recommended, and the City has begun, a review of all significant revenue sources to be sure they are following the appropriate accounting treatment as provided by the Government Accounting Standards Board.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF PORTLAND, OREGON
SCHEDULE OF EXPENDITURES OF STATE AWARDS (UNAUDITED)
YEAR ENDED JUNE 30, 2005

State and Private Grantor/Program Title	CFDA Number	Grant Number	Grant Award	State Expenditures
Oregon Watershed Enhancement Board OWEB Alsop/Brownwood	N/A	201-475A	\$ 655,000	\$ 255,393
Oregon State Marine Board MAINT ASST FY 04/05-OSMB	N/A	N/A	3,600	3,600
MAINT ASST FY 04/05-OSMB	N/A	N/A	1,600	1,600
MAINT ASST FY 04/05-OSMB	N/A	N/A	17,300	17,300
Portland General Electric PGE MF ENERGY EFFICIENCY	N/A	PO22553	438,960	37,151
PGE Water Closets	N/A	N/A	61,660	34,950
Oregon Office of Energy OOE MF 03/05	N/A	105021	52,500	47,744
Oregon Dept. of Environmental Quality DEQ PSU 05	N/A	076-05	5,470	-
Energy Trust of Oregon Energy Trust LED	N/A	N/A	22,500	10,461
Energy Trust of Oregon LED	N/A	N/A	50,000	20,292
Energy Trust Green Investment Fund	N/A	00270	300,000	59,729
Oregon Climate Trust Climate Trust 2002	N/A	N/A	943,045	59,163
Climate Trust/Signal	N/A	N/A	533,000	99,872
ECOS Consulting Inc. ECOS MF	N/A	N/A	298,281	40,944
Northwest Energy Efficiency Alliance NEEA Washer Efficiency	N/A	N/A	5,000	2,741
Multnomah County Mult Co Multifamily	N/A	N/A	750,000	79,538
Bullitt Foundation Bullitt Foundation	N/A	901-5213	25,000	5,129
Collins Foundation Income to Rent Fund	N/A	51229	18,602	-
Eli Lilly and Company Eli Lilly and Company	N/A	N/A	5,000	-
Corporation for Supportive Housing Corporation for Supportive Housing 03/04	N/A	03-133-G	625,000	240,556
			<u>\$ 4,811,517</u>	<u>\$ 1,016,164</u>