



Northwest Regional Education Service District
 Washington County Oregon

"Dedicated to Quality Education for all Students"

Comprehensive Annual Financial Report

For the year ended June 30, 2007

Prepared by: Fiscal Services
 Jim Mabbott, Superintendent
 Tim Collier, Chief Financial Officer



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Introductory Section



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NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

5825 NE Ray Circle
Hillsboro OR 97124
Phone: 503-614-1428 Fax: 503-614-1440

November 27, 2007

**To the Board of Directors and
Residents of Washington County
Hillsboro, Oregon**

We are pleased to submit the Comprehensive Annual Financial Report of Northwest Regional Education Service District (the ESD) for the year ended June 30, 2007.

Oregon Municipal Law requires that an independent audit be made of all District funds within six months following the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report of Northwest Regional Education Service District for the fiscal year ended June 30, 2007 is hereby submitted.

The District Office of Fiscal Service prepared this report, management assumes the responsibility for the completeness, reliability, and accuracy of all the information presented. The District's management has established a comprehensive internal control framework that is designed both to protect the assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

REPORT CONTENTS

- The **Introductory Section** includes this Letter of Transmittal, list of the Board of Directors and the District's organizational chart.
- The **Financial Section** includes the Independent Auditors' Report, Management's Discussion and Analysis, Basic Financial Statements, Notes to Basic Financial Statements and required supplemental information.
- The **Statistical Section** includes government wide summary financial data, summary financial trends, revenue capacity, debt capacity, demographic and economic information and operation information.
- The **Auditors' Comments and Disclosures Required by Oregon State Regulations** section.



- The **Grant Compliance Review** section includes Schedule of Federal Awards, Report of Internal Control Structure over Financial Reporting, Report of Compliance with Requirements Applicable to each Major Program and Schedule of Prior and Current Year Audit Findings and Questioned Costs Relative to Federal Awards.

MANAGEMENT’S DISCUSSION AND ANALYSIS

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE ESD

The Northwest Regional ESD is the largest and most diverse education service district in the state. Two of Oregon’s largest school districts - Beaverton and Hillsboro - reside in the urban parts of Washington County while many smaller, more rural districts reside along the Columbia River, Coast Range Mountains and Pacific Ocean. The ESD service area includes more than 170 public schools in Clatsop, Columbia, Tillamook, and Washington counties - spanning approximately 3,500 square miles across the northwest corner of Oregon. The Regional Office is located in Hillsboro, with additional service centers located in Astoria, St. Helens, and Tillamook.

Education service districts originated in Oregon's first laws establishing a general system of common schools - a system that has maintained but changed the responsibilities and names of Oregon's mid-level education service entity. Throughout the history of Oregon's regional services system, local governance and state statutes concerning the mission of ESDs has remained somewhat constant: "Education Service Districts assist school districts and the State of Oregon achieving Oregon's education goals by providing excellent and equitable educational opportunities for all Oregon public school students." Today, there are 20 ESDs serving Oregon’s 36 counties.

Major periods in the development of Oregon's ESDs:

1849-1871	Origination and foundation established
1872-1944	The County Unit as regulatory arm of the state
1945-1962	Rural School Districts and equalization
1963-1976	Intermediate Education Districts and Advent of Services
1977-Present	Education Service Districts
1994	Passage of SB 26, the ESD Reorganization Act
1997	Passage of Ballot Measure 47 and 50 converted ESD tax bases to "rates"
1998-Present	The era of funding regional services on an equity-based formula
2005	Passage of HB 3184 implementing ESD funding and governance reforms

1945 - The Legislature created the county "rural school district." In the early 1960s, rural school districts began to provide special education services for disabled children. The Legislature studied the role of the county school superintendent's office and its potential for the future. In 1963, it replaced the "rural school district" title with "Intermediate Education District" (IED).



1977 - The Legislature changed the name of the intermediate education district to "education service district." This change reflected the growing recognition that the county office had become a major service center for local districts. Also, the passage of the Public Law 94-142, the federal legislation guaranteeing to all students with handicaps the right to a free and appropriate education, made the ESD's role as a provider of special education services even more important and necessary, as did the State's increased interest in early intervention and early childhood education programs, the same of which was occurring on a national basis.

1991 - The Legislature authorized a task force to study regional services on a statewide basis. The 1993 Legislature passed SB 26, the ESD Reorganization Act, which required the merger of 29 ESDs down to 21, including the annexation of six county units (Crook, Klamath, Lincoln, Morrow, Hood River, and Josephine) into one of the remaining 21 ESDs, i.e., Linn-Benton ESD annexed Lincoln County School District and became a three-county unit named Linn-Benton-Lincoln ESD; and Clatsop, Columbia, Tillamook, and Washington ESDs began the merger process to become the Northwest Regional ESD. (In 2003 Yamhill ESD voluntarily merged with Willamette ESD to further reduce the number of ESDs in the state to 20.)

1996 - Clatsop, Columbia, Tillamook, and Washington ESDs officially consolidated to become the Northwest Regional ESD. The consolidation resulted in the formation of one of the largest and most diverse education service districts in the state. Two of Oregon's largest school districts—Beaverton and Hillsboro—reside in the urban parts of Washington County while many smaller, more rural districts reside along the Columbia River, Coast Range Mountains and Pacific Ocean. This diversity in culture, size, landscape and geography creates an area where supplemental services provided by NWRESD are in great demand by schools large and small.

2000 - The Legislature completed an interim task force study of ESDs. As a result of that study, the Legislature passed two major pieces of legislation: SB 259 and SB 260. Senate Bill 259 reestablished the primary mission of ESDs: "The mission of Education Service Districts is to assist school districts and the Department of Education in achieving Oregon's educational goals by providing equitable, high quality, cost-effective and locally responsive educational services at a regional level."

SB 259 also establishes that ESDs exist to help:

- Ensure an equitable and excellent education for all children in the state
- Implement the Oregon Educational Act for the 21st Century
- Foster the attainment of high standards of performance by all students in Oregon's public schools
- Facilitate interorganizational coordination and cooperation among educational, social service, health care and employment training agencies.

Senate Bill 260 addressed two major issues regarding ESD funding:

- Through a progressive five-year process, funding was equalized across Oregon ESDs in fiscal year 2005-2006.
- ESD funding became connected to local district funding in that a small portion of the State School Fund allocation to a region is distributed to the ESD with the remainder distributed to local districts in accordance with the state funding formula. In fiscal year 2001-2002, 4.888% of the region's State School Fund allocation was used to fund the ESD. That percentage



increased gradually over the next four years, such that in the fiscal year 2004-2005, 5.097% of the regional State School Fund allocation was used to fund ESDs.

2005 - The Legislature passed House Bill 3184 which implemented reforms to ESD funding and governance.

Beginning with the 2006-2007 school year, the K-12 state budget formula changed: School districts now receive 95.25% of the region's State School Fund allocation and ESDs will receive 4.75%.

High Desert ESD, Willamette ESD and Northwest Regional ESD were selected to pilot the governance reform portion of the new law:

For the purpose of modifying the governance of the ESD's involved in the pilot project, their regions were divided up into zones of approximately equal population and the zones could not cross district boundaries. From each of these zones, each school district board within the zone had one vote to cast to determine representation on the ESD board. That process will produce five ESD board members who took office July 1, 2006. They in turn appointed one board member from each of the following regional groups: higher education, social services, the business community, and one at-large member.

The appointees took office on August 8, 2006. The result was a new nine-member ESD boards whose terms were to all expire on June 30, 2010.

2007 - The Legislature passed Senate Bill 755 which staggers terms of office for Northwest Regional ESD board members, effective Jan. 1, 2008. In addition, the bill allows for ESD appointed board members to take a stance on political issues.

The ESD is governed by a nine-member board consisting of five elected directors, each representing a specific geographic zone in the region, and four appointed directors from each of the following regional groups: higher education, social services, the business community, and one at-large member. Together, these volunteer community members work closely with the ESD's superintendent to determine district policies and ensure the highest quality programs and services are being delivered to schools in the region. The terms of all members will expire on June 30, 2010, according to **HB 3184**, a state law passed by the 2005 Oregon Legislature.

The Board of Directors has legal authority transacting all business coming within the jurisdiction of the education service district within the framework set by the State Legislature and State Board of Education. The Board also acts to provide Resolution Plan supported by the component districts in the area of programs and services that are identified to meet high priorities. The daily functioning of the ESD is under the supervision of the Superintendent. The Board is responsible for employing the Superintendent to administer the ESD.

LOCAL ECONOMY

Located on the western edge of the City of Portland, Washington County is the second largest and fastest growing urban county in Oregon, with approximately 500,585 citizens. The community is Oregon's most ethnically diverse, drawing immigrants from Europe, Central and South America, Asia, Indo-China, the



Pacific nations and Africa. The result of that diversity is that residents and institutions alike reflect a global perspective

Washington County is 727 square miles and includes a portion of the City of Portland and eleven incorporated cities including Hillsboro, Beaverton, Tigard and Tualatin. Focused residential and industrial growth has enabled the county to preserve more than 75% of its agricultural and forestlands through utilization of the nationally acclaimed Urban Growth Boundary.

Washington County residents are the youngest, most affluent, and most highly educated in Oregon. The community enjoys excellent schools, and a uniquely diverse array of cultural and recreational activities. Only an hour's drive from the beach and mountains and less than a half-hour to downtown Portland, Washington County enjoys the benefits of a healthy urban and rural environment.

The county's developed regions are home to traditional suburban and new mixed-use neighborhoods, electronics leaders such as Intel, IBM and Tektronix, and world headquarters for both Nike and Columbia Sportswear. Intel's investment in Washington County exceeds that of any Intel site worldwide. Outside the Urban Growth Boundary, the county transitions to nurseries, wineries and other farm and forest enterprises. Washington County ranks first in manufacturing and third in agriculture production in Oregon.

Two decades of explosive population and employment growth have prompted various sectors to focus much of their energy and resources on meeting physical infrastructure needs. New and expanded roads, bridges, rails, schools, churches, high-tech manufacturing facilities, hospitals and other "brick-and-mortar" projects have helped define this increasingly urban community.

LOCAL SERVICE PLAN

The 2005 Legislature changed the fundamental structure of the prior ESD resolution plan with the passage of House Bill 3184. Each ESD's component school districts are to pass the Local Service Plan following the same guidelines of the former resolution plan. It must be passed by two-thirds of the districts representing more than 50 percent of the student population. The Local Service Plan must contain, and every ESD must provide, the following services:

Special Student Services. Early Intervention (Birth to 3) Early Childhood Special Education program (3-5) (EI/ECSE) enhances services to our four county region with comprehensive birth-to-kindergarten services and programs for young children with disabilities, as well as their families. The EI/ECSE program cooperates with the ODE and component school districts to see that children and families can access exemplary, state-of-the-art evaluation, classroom and home based services.

Behavioral Programs (K-12) staff collaborates with each of the 20 component school districts to ensure all students with disabilities, kindergarten through graduation from high school, receive a free appropriate public education. The ESD ensures the provision of itinerant specialist personnel, across numerous professional discipline areas that work with students and component district staff in the student's home school. Specialized classroom instruction is provided in both on and off campus settings depending on requirements for satisfactory student learning.



Related Services (Birth to 21) provide service to students with low incidence, high impact disabilities receive requisite instructional and support services. ESD provides services from birth to age 21 that are specifically designed to provide access to specialists with training and experience in working with students with autism spectrum disorder (ASD), severe orthopedic impairments, vision impairments, and hearing impairments. Programs and services include: assessments to determine special education eligibility and education planning, audio logical services, physical therapy and occupational therapy services, specialized classrooms for deaf and hard of hearing students, itinerant services (educational consultation and direct services) for students who are blind or visually impaired, deaf or hard of hearing, or have severe orthopedic impairments, and interpreter services for students who are deaf or hard of hearing.

Instructional Services. Curriculum and Staff Development; School Improvement Services; Professional Development; Migrant/English Language Learner (ELL) Services; Northwest Outdoor Science School, Terra Nova High School; CAPITAL Center High School Technology Institute; Tillamook County Health Services Academy and Hospitality, Tourism and Recreation Program; GED Testing Services; and Title VII Indian Education Services.

Technology Services. Technical support services to the ESD and the twenty component school districts in Clatsop, Columbia, Tillamook and Washington Counties. The department's responsibilities range from desktop services to wide-area network support. The network support staff maintains the "backbone" on which most services are delivered. We specialize in local and wide area network consulting, design, installation, configuration, and support.

Software and Application Support (SAS) provides software support for student email accounts, media booking, student and fiscal systems, list servers, domain name servers, home school tracking, web development, special education early intervention census tracking, testing services, class registration system, web-based surveys, and other system-wide data systems.

Management Information Services (MIS) is dedicated to identifying and addressing district needs and priorities. Our programs and services are high quality, cost-effective and are readily accessible to those being served.

Instructional Media Services (IMS) provides teachers and school districts instructional staff with online access to current, curriculum-relevant instructional videos that are delivered to schools by ESD couriers

Administrative and Support. Services for component school districts, including but not limited to services designed to consolidate component school district business functions, liaison services between the Department of Education and component school districts and registration of children being taught by private teachers, parents or legal guardians pursuant to ORS 339.035.

Other Support Services: Truancy Enforcement; Home School Registration; Printing & Graphics Services; and Courier Services.



RELEVANT FISCAL POLICIES

The preparation of the annual budget is not a periodic activity but is an on-going process involving the ESD personnel at all levels and the concerns and input of the component school districts and the citizens of the ESD. Included in the budget preparation for the next fiscal year is the analysis and evaluation of the current year's budget and preliminary studies of future budget proposals. Such study should include a review and updating of the long-term planning of the Board, administration, and staff, including a review of both educational planning and financial planning.

The budget officer is expected to have the budget needs compiled early enough in the fiscal year to give the budget committee ample time for deliberations, in accordance with the budget calendar.

The budget document should be in a form understandable to those who must work with it. The preparation of the budget is the responsibility of the budget officer. In the preparation of the budget document, the superintendent shall require the assistance and cooperation of ESD personnel in submitting whatever suggestions, materials, and estimates as may be required.

ESD budget committee will consist of the five elected and four appointed members of the Board and ten members of component school district boards appointed by the Board, or designees of component school district boards, as required by law. Terms of the appointed members will be three years each with appointments made so that, as nearly as possible, the terms of one third of the members expire each year.

The term of office shall expire for not less than three, nor more than four, members in any one year. The Board will establish appropriate timelines and procedures for appointment of budget committee members. A majority of the constituted committee is required for passing an action item. Majority for a 19-member budget committee is 10. Therefore, if only 10 members are present, a unanimous vote is needed for passing an action item. In case of vacancy in the membership of the appointed budget committee prior to the expiration of the term of office of any such member, the ESD Board shall appoint a replacement to fill the unexpired term.

The budget committee shall hold one or more meetings to receive the budget message, the budget document and to provide members of the public with an opportunity to ask questions about and comment on the budget document. The budget officer shall announce the time and place for all such meetings, as provided by law. All meetings of the budget committee are open to the public. Minutes shall be taken, made available and retained in accordance with the Public Meetings Law.

It is the function of the budget committee to approve budget estimates for a fiscal plan for the ensuing fiscal year, July 1 through June 30 inclusive. No new program should be considered for the budget estimate that has not previously been submitted to the Board and approved as a part of the strategic plan and Local Service Plan. The budget committee will determine levels of spending, but will not determine programs.

The budget committee will approve an estimated budget document for submission to the Board. After the public hearing on the budget and any modifications of the budget deemed necessary as a result of that hearing, the Board will approve the proper resolutions to adopt and appropriate the budget. The Board will further determine, make and declare the ad valorem property tax amount or rate to be certified to the



assessor for the ensuing year, and itemize and categorize the ad valorem property tax amount or rate, as provided in ORS 310.060.

The superintendent will ensure all necessary documentation is submitted to the county assessor's office as required by the Local Budget Law.

Financial Reporting. The financial statements of the ESD are prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America. In addition to presenting the financial position, results of operations and changes in financial position of the ESD funds, the financial statement reconciles differences in reporting activities between the budgetary basis as presented in the annual approved budget and the basis according to GAAP.

Cash Management. Through the year, cash not required for current operations was invested in the State of Oregon Local Government Investment Pool, U.S. Treasury securities and demand deposits. Deposits with banking institutions are 100 percent collateralized at 25 percent of value, as required by Oregon Revised Statutes.

AWARDS

Northwest Regional ESD is pleased to present for the first time our Comprehensive Annual Financial Report for the year ended June 30, 2007 to the Government Finance Officers Association of the United States and Canada. In order to be awarded a Certificate of Achievements, the ESD must publish an easily readable and efficiently organized financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

We believed that our Comprehensive Annual Financial Report meet the Certificate of Achievement Program's requirements and we will be submitting it to GFOA to determine its eligibility to received this prestigious award.

ACKNOWLEDGEMENTS

We would like to express our appreciation to all ESD staff that played a part during the fiscal year ended June 30, 2007 in maintaining the ESD records in a manner so that this report's production was made efficient. In particular, to our Fiscal Service Department, Communications Editor, Central Management Team and our Board Members for their unfailing support for maintaining the highest standards of professionalism in the management of the Northwest Regional Education Service District.

Respectfully submitted,

Jim Mabbott
Superintendent

Tim Collier
Chief Financial Officer



Northwest Regional Education Service District

5825 NE Ray Circle
Hillsboro, OR 97124

Jim Mabbott - Superintendent
Mickey Odin - Deputy Superintendent

Tim Collier - Chief Financial Officer
Darcy Rourk - Chief Personnel Officer
Rick Wahlstrom - Chief Technology Officer

Board of Directors as of June 30, 2007

Larry Spier - Chair Zone 3
19995 SW Newcastle Dr.
Aloha, OR 97007
503-642-2303

Greg Hamann - Higher Ed
1860 SE 3rd St.
Astoria, OR 97103
503-338-9573

Gail Young, Vice Chair - Zone 1
10445 SW Meier Dr.
Tualatin, OR 97062
503-692-4259

Marilyn McGlasson - At-Large
382 NE Hillwood Dr.
Hillsboro, OR 97124
503-648-7312

Robert Cancelosi - Business
13332 SW 129th Ave.
Tigard, OR 97223
503-520-0943

Doug Montgomery - Zone 2
916 S Island St.
Rockaway Beach, OR 97136
503-355-3088

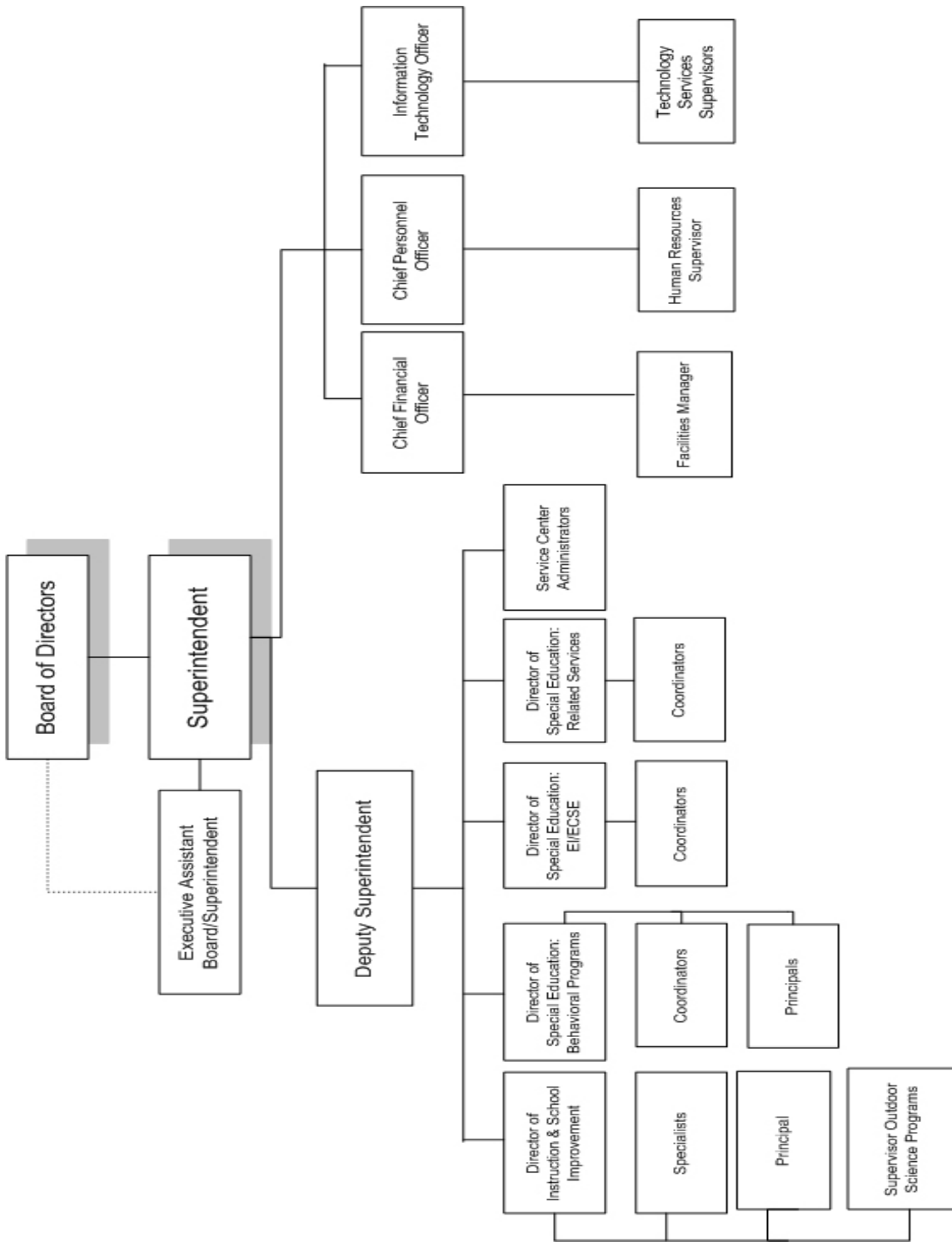
Christi Feldewerth - Zone 5
10190 SW Shearwater Loop
Beaverton, OR 97007
503-579-1995

Katie Riley - Social Services
250 NE Hillwood Dr.
Hillsboro, OR 97124
503-349-2965

Earl Fisher - Zone 4
19509 Swedetown Rd.
Clatskanie, OR 97016
503-728-2450



Northwest Regional Education Service District Organizational Chart





Financial Section



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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

November 27, 2007

To the Board of Directors
Northwest Regional Education Service District
Washington County, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the basic financial statements of the Northwest Regional Education Service District, Washington County, Oregon, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northwest Regional Education Service District, Washington County, Oregon, at June 30, 2007, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 27, 2007, on our consideration of Northwest Regional Education Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed on the table of contents, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northwest Regional Educational Service District's basic financial statements. The Supplementary Information, including budgetary comparison schedules as listed in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as listed in the table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Supplementary Information and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole, except as noted below.

The District Financial Accounting Summaries, as listed on pages 36 through 42 and 44, are presented as supplemental schedules for the Oregon Department of Education, and are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management about this supplementary information. However, we did not audit the information and do not express an opinion on it.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.



MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2007

As management of Northwest Regional ESD (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets of the District exceeded its liabilities at June 30, 2007 by \$13.4 million. Of this amount, \$.95 million represents the District's investment in capital assets net of related debt, \$6.2 million is restricted, \$6.2 million is unrestricted and available to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$700 thousand. This is mainly attributable to money being held to purchase a new finance system for the District's region.
- The District's governmental funds report combined ending fund balance of \$11.8 million, an increase of \$.76 million in comparison with the prior year. Approximately 47 percent of this total amount, \$5.6 million, is available for spending at the District's discretion.
- At the end of the fiscal year, unreserved fund balance for the general fund was \$5.6 million, or about 16.1 percent of total general fund expenditures and other financing uses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

Government-wide financial statements are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private-sector business. These statements include:

The Statement of Net Assets. The *Statement of Net Assets* presents information on all of the assets and liabilities of the District at year-end. Net assets are what remain after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities. The *Statement of Activities* presents information showing how the net assets of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). In the government-wide financial statements, the District's activities are shown in two categories, governmental and business type.



MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

Governmental Activities. Most of the District's basic functions are shown here, such as regular and special education, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

The government-wide financial statements can be found on pages 10 and 11.

Fund Financial Statements. The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Northwest Regional ESD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Assets and Activities

The District maintains three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Special Revenue and Capital Projects Funds, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 12 and 14.

Proprietary Funds. The District maintains one proprietary fund type (enterprise fund). This fund is an accounting device used to allow entrepreneurial activities to be tracked separately from other functions. Entrepreneurial functions include primarily contracted technology services. These funds are combined into a single, aggregated presentation in the basic financial statements.

The basic proprietary fund financial statements can be found on pages 16 - 18.



MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

Fiduciary Fund. The Fiduciary fund is used to account for resources held for the benefit of parties outside of the District. The accounting used for fiduciary funds is the same as that used for proprietary funds. These funds are mostly held for the District's component school districts.

The basic fiduciary fund financial statement can be found on page 19.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 22 – 32.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the District's operations.

Supplementary information can be found on pages 33 - 44.

Statistical Section. The statistical section presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information about the overall financial health.

Statistical Section information can be found on pages 45 – 58.

GOVERNMENT – WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$13.4 million at June 30, 2007.

Capital assets, which consist of the District's land, buildings, and building improvements, construction in progress, vehicles, and equipment, represent about 36% percent of total assets. The remaining assets consist mainly of cash and grants and accounts receivable.

	Statement of Net Assets		June 30, 2006	
	June 30, 2007		June 30, 2006	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Current and other assets	\$ 16,885,405	\$ 196,164	\$ 15,911,450	\$ 196,779
Capital assets	9,401,688	-	9,811,257	-
Total Assets	<u>26,287,093</u>	<u>196,164</u>	<u>25,722,707</u>	<u>196,779</u>
Current liabilities	4,560,800	26,576	4,362,175	15,861
Long-term debt	8,448,661	-	8,833,877	-
Total Liabilities	<u>13,009,461</u>	<u>26,576</u>	<u>13,196,052</u>	<u>15,861</u>
Net assets:				
Invested in capital assets, net of related debt	953,027	-	977,380	-
Unrestricted	6,076,774	169,588	4,709,939	180,918
Restricted	6,247,831	-	6,839,336	-
Total Net Assets	<u>\$ 13,277,632</u>	<u>\$ 169,588</u>	<u>\$ 12,526,655</u>	<u>\$ 180,918</u>



MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

The District's largest liability (65 percent) is for the repayment of certificates of participation. Current liabilities, representing about 35 percent of the District's total liabilities, consist almost entirely of payables on accounts, salaries and benefits, and the current portion of long-term debt.

During the current fiscal year, the District's net assets increased by \$.74 million. Reasons for the increase include the funds held in county allocations and use in the first year of a biennium.

GOVERNMENTAL ACTIVITIES. A comparative analysis discussing and analyzing significant differences follows below. The key elements of the change in the District's net assets for the year ended June 30, 2007 are as follows:

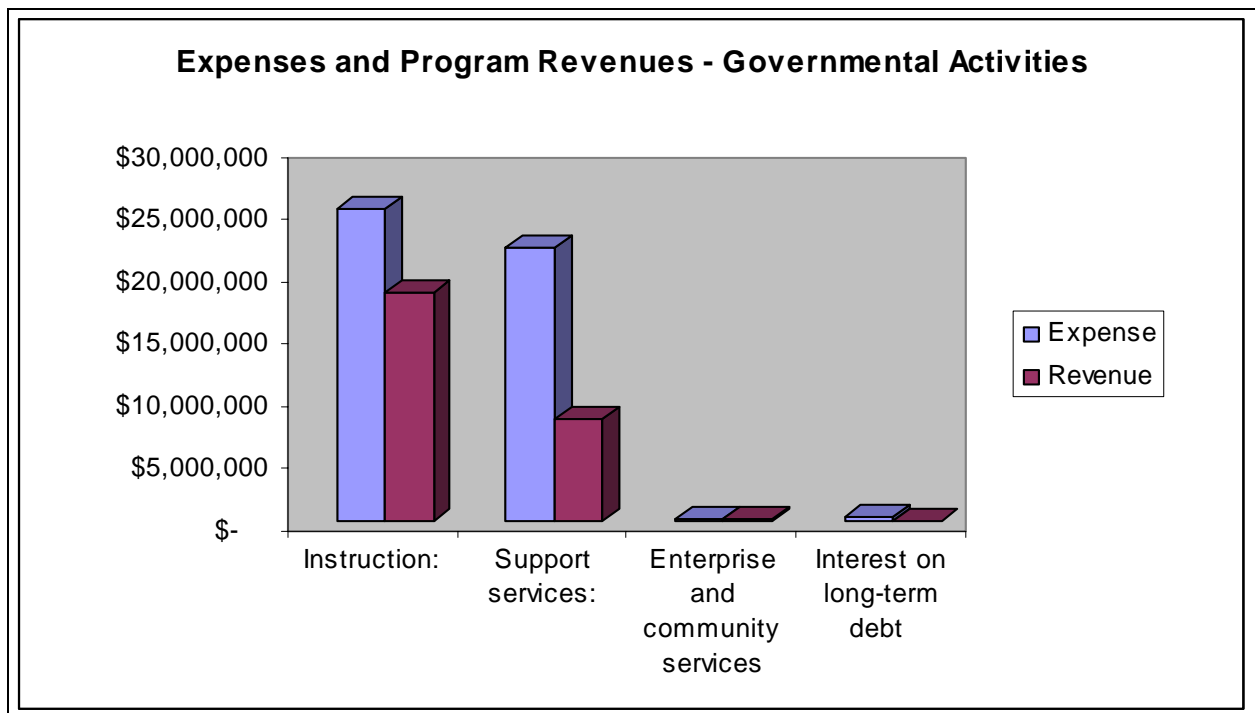
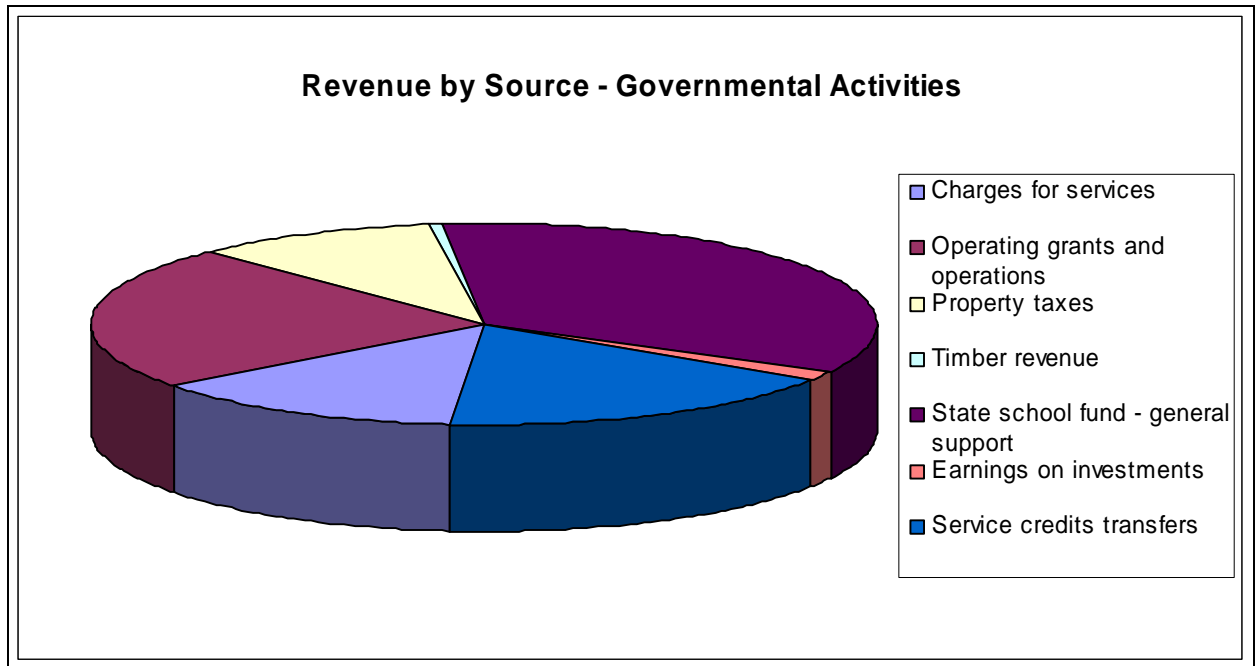
- Spending previously held county allocations for districts.

Statement of Activities

	Governmental Activities	Business-type Activities	Total June 30, 2007	Total June 30, 2006
Revenues:				
Program revenues:				
Charges for services	\$ 9,717,027	\$ 560,582	\$ 10,277,609	\$ 8,673,070
Operating grants and operations	17,195,233	-	17,195,233	17,901,667
General revenue:				
Property taxes	7,523,350	-	7,523,350	7,125,307
Timber revenue	354,305	-	354,305	409,994
State school fund - general support	25,527,959	-	25,527,959	24,817,632
Earnings on investments	1,093,097	-	1,093,097	645,702
Service credits transfers	12,625,874	-	12,625,874	12,073,209
Total Revenues	<u>\$ 74,036,845</u>	<u>\$ 560,582</u>	<u>\$ 74,597,427</u>	<u>\$ 71,646,581</u>
Expenses:				
Instruction	25,186,946	-	25,186,946	23,305,088
Support services	22,081,299	-	22,081,299	20,860,130
Enterprise and community services	188,227	-	188,227	192,577
Facility acquisition and construction	25,026	-	25,026	-
Transits to other agencies	1,464,530	-	1,464,530	2,389,979
Transfer to school districts	23,928,011	-	23,928,011	21,888,066
Interest on long-term debt	411,829	-	411,829	527,797
Loss on disposal of capital assets	-	-	-	24,287
Data processing services	-	571,912	571,912	772,548
Total Expenses	<u>73,285,868</u>	<u>571,912</u>	<u>73,857,780</u>	<u>69,960,472</u>
Change in net assets	750,977	(11,330)	739,647	1,686,109
Net Assets, beginning of year	12,526,655	180,918	12,707,573	11,021,464
Net Assets, end of year	<u>\$ 13,277,632</u>	<u>\$ 169,588</u>	<u>\$ 13,447,220</u>	<u>\$ 12,707,573</u>



MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007





MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the District’s governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of a fiscal year.

At June 30, 2007, the District’s governmental funds reported combined ending fund balances of \$11.8 million, increase of \$.7 million in comparison with the prior year.

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2007, unreserved fund balance was \$5.6 million (47 percent) of the Governmental ending fund balance. As a measure of the fund’s liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 16 percent of total General Fund expenditures and other financing uses. General Fund *unreserved ending fund balance*, is available at the District’s discretion.

The fund balance increased by \$1.3 million during the current fiscal year. This increase is due to money held to purchase region wide financial system in fiscal year 2007-08.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District’s investment in capital assets includes land, buildings and improvements, and vehicles and equipment. As of June 30, 2007, the District had invested over \$9.4 million in capital assets, net of depreciation, as shown in the following table on the following page:

	Capital Assets (Net of Depreciation)	
	Governmental Activities	
	June 30, 2007	June 30, 2006
Land	\$ 467,500	\$ 467,500
Buildings and improvements	7,857,328	8,035,445
Leaseholds improvements	22,678	26,538
Vehicles and equipments	1,054,182	1,281,774
	\$ 9,401,688	\$ 9,811,257

Additional information of the District’s capital assets can be found in Note 4 on page 29.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007**

Long - Term Debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$8.4 million, consisting of certificates of participation debt net of unamortized premium/discount.

Additional information on the District's long-term debt can be found in Note 6 on page 30.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the District is the State of Oregon's State School Fund. For the year ended June 30, 2007, the State School Fund – General Support provided 63 percent of the District's program resources. As such a large percentage any impact on the states economy could impact the District's funding.

A large portion of the District's fund balance will be used to purchase a new finance system for the majority of school districts in the region, because of this next years net assets should decrease.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Chief Financial Officer of Fiscal Services at 5825 NE Ray Circle Hillsboro, Oregon 97124.



BASIC FINANCIAL STATEMENTS



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NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 13,782,279	\$ 189,902	\$ 13,972,181
Cash held by County	39,427	-	39,427
Receivables	2,700,507	6,262	2,706,769
Bond issuance costs, net of accumulated amortization	363,192	-	363,192
Capital assets:			
Not being depreciated	467,500	-	467,500
Being depreciated, net of accumulated depreciation	8,934,188	-	8,934,188
TOTAL ASSETS	<u>26,287,093</u>	<u>196,164</u>	<u>26,483,257</u>
<u>LIABILITIES</u>			
Accounts payable	1,638,215	-	1,638,215
Accrued payroll and related liabilities	2,846,631	26,576	2,873,207
Accrued interest payable	34,319	-	34,319
Accrued compensated absences payable	41,635	-	41,635
Long-term debt:			
Due within one year	395,216	-	395,216
Due in more than one year	8,053,445	-	8,053,445
TOTAL LIABILITIES	<u>13,009,461</u>	<u>26,576</u>	<u>13,036,037</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	953,027	-	953,027
Unrestricted	6,076,774	169,588	6,246,362
Restricted for			
Special Revenues	6,244,777	-	6,244,777
Capital Projects	3,054	-	3,054
TOTAL NET ASSETS	<u>\$ 13,277,632</u>	<u>\$ 169,588</u>	<u>\$ 13,447,220</u>

See notes to basic financial statements

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular programs	\$ 1,870,104	742,004	\$ 122,527	\$ (1,005,573)	\$ -	\$ (1,005,573)
Special programs	23,316,842	1,502,643	16,144,808	(5,669,391)	-	(5,669,391)
Support services:						
Students services	11,424,850	4,584,468	154,531	(6,685,851)	-	(6,685,851)
Instructional staff services	1,677,201	92,536	477,867	(1,106,798)	-	(1,106,798)
General administration	1,638,333	-	-	(1,638,333)	-	(1,638,333)
School administration	444,748	49,348	-	(395,400)	-	(395,400)
Business services	2,271,313	2,714,461	-	443,148	-	443,148
Central activities	4,624,854	29,090	126,268	(4,469,496)	-	(4,469,496)
Enterprise and community services	188,227	2,477	169,232	(16,518)	-	(16,518)
Facility acquisition and construction	25,026	-	-	(25,026)	-	(25,026)
Transits to other agencies	1,464,530	-	-	(1,464,530)	-	(1,464,530)
Transfer to school districts	23,928,011	-	-	(23,928,011)	-	(23,928,011)
Interest on long-term debt	411,829	-	-	(411,829)	-	(411,829)
Total governmental activities	\$ 73,285,868	\$ 9,717,027	\$ 17,195,233	(46,373,608)	-	(46,373,608)
Business-type activities:						
Data processing services	571,912	560,582	-	-	(11,330)	(11,330)
Total business-type activities	\$ 571,912	\$ 560,582	\$ -	-	(11,330)	(11,330)
GENERAL REVENUES:						
Property taxes levied for general purposes				7,523,350	-	7,523,350
Timber revenue				354,305	-	354,305
State school fund - general support				25,527,959	-	25,527,959
Earning on investments				1,093,097	-	1,093,097
Service credits transfers				12,625,874	-	12,625,874
Total general revenues				47,124,585	-	47,124,585
CHANGE IN NET ASSETS				750,977	(11,330)	739,647
NET ASSETS, July 1, 2006				12,526,655	180,918	12,707,573
NET ASSETS, June 30, 2007				\$ 13,277,632	\$ 169,588	\$ 13,447,220

See notes to basic financial statements

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
<u>ASSETS</u>				
Cash and investments	\$ 6,395,112	\$ 7,384,113	\$ 3,054	\$ 13,782,279
Cash held by County	39,427	-	-	39,427
Receivables:				
Taxes	267,802	-	-	267,802
Accounts	36,342	909,951	-	946,293
Grants	-	1,486,412	-	1,486,412
TOTAL ASSETS	\$ 6,738,683	\$ 9,780,476	\$ 3,054	\$ 16,522,213
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ 640,563	\$ 997,652	\$ -	\$ 1,638,215
Payroll liabilities	308,584	2,538,047	-	2,846,631
Deferred revenue	224,358	-	-	224,358
TOTAL LIABILITIES	1,173,505	3,535,699	-	4,709,204
FUND BALANCES:				
Unreserved:				
General Fund	5,565,178	-	-	5,565,178
Special Revenue Fund	-	6,244,777	-	6,244,777
Capital Projects Fund	-	-	3,054	3,054
TOTAL FUND BALANCES	5,565,178	6,244,777	3,054	11,813,009
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,738,683	\$ 9,780,476	\$ 3,054	\$ 16,522,213

See notes to basic financial statements

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS**

JUNE 30, 2007

TOTAL FUND BALANCES \$ 11,813,009

Capital assets are not financial resources and therefore are not reported in the governmental funds:

Cost	\$ 14,743,304	
Accumulated depreciation	<u>(5,341,616)</u>	9,401,688

A portion of the District's property taxes are collected after the year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds .

224,358

Long-term liabilities not payable in current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.

These liabilities consist of:

Accrued interest payables	(34,319)	
Compensated absences	(41,635)	
Bonds payable	(8,695,000)	
Bond issuance costs, net of amortization	363,192	
Bond discount/premiums, net of amortization	<u>246,339</u>	<u>(8,161,423)</u>

TOTAL NET ASSETS \$ 13,277,632

See notes to basic financial statements

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

GOVERNMENTAL FUNDS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR YEAR ENDED JUNE 30, 2007

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
REVENUES				
Local sources:				
Property taxes	\$ 7,523,350	\$ -	\$ -	\$ 7,523,350
Charges for services	1,624,311	8,421,077	-	10,045,388
Earnings on investments	960,978	-	9,627	970,605
Other	-	-	9,523	9,523
Intermediate sources	14,135	-	-	14,135
State sources	25,868,129	1,153,478	-	27,021,607
Federal contracts	-	11,205,944	-	11,205,944
Federal sources	-	4,584,930	-	4,584,930
Total revenues	35,990,903	25,365,429	19,150	61,375,482
EXPENDITURES				
Current:				
Instruction	-	25,201,616	-	25,201,616
Support services	8,276,956	12,594,051	473,505	21,344,512
Enterprises and community services	-	188,227	-	188,227
Facilities acquisition and construction	-	-	25,026	25,026
Capital outlay	19,210	238,278	-	257,488
Debt service:				
Principal	400,000	-	-	400,000
Interest	411,829	-	-	411,829
Total expenditures	9,107,995	38,222,172	498,531	47,828,698
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	26,882,908	(12,856,743)	(479,381)	13,546,784
OTHER FINANCING SOURCES (USES):				
Transfers in	171,859	14,901,332	361,872	15,435,063
Transfers out	(24,394,471)	(2,360,313)	-	(26,754,784)
Transits to other agencies	(1,306,258)	(158,272)	-	(1,464,530)
Total other financing sources (uses)	(25,528,870)	12,382,747	361,872	(12,784,251)
NET CHANGE IN FUND BALANCES	1,354,038	(473,996)	(117,509)	762,533
FUND BALANCES, July 1, 2006	4,211,140	6,718,773	120,563	11,050,476
FUND BALANCES, June 30, 2007	\$ 5,565,178	\$ 6,244,777	\$ 3,054	\$ 11,813,009

See notes to basic financial statements

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2007

NET CHANGES IN FUND BALANCES		\$ 762,533
The difference between market value and carrying amount of investments is not recorded as income in the governmental fund statements.		35,487
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those activities is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceed capital outlay:		
Capital outlay capitalized	\$ 160,005	
Depreciation	<u>(569,574)</u>	(409,569)
Long-term debt principal payment are recorded as expenditures in the governmental funds but reduce the liability in the Statement of Net Assets		400,000
Governmental funds report the effect of issuance costs and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Amortization of discount	(14,784)	
Amortization of issuance costs	<u>(18,406)</u>	(33,190)
In the Statement of Activities interest is accrued on long-term debt whereas in the governmental funds it is recorded as an expenditure when paid.		9,664
Revenues that do not meet the measurable and available criteria are not recognized in the current year in the governmental funds. In the Statements of Activities revenues are recognized when earned		(26,536)
Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as expenses when earned.		(4,997)
Transfer to other funds		17,585
CHANGE IN NET ASSETS		<u><u>\$ 750,977</u></u>

See notes to basic financial statements

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

ENTERPRISE FUND

STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS

Cash and cash equivalents	\$ 189,902
Receivables	<u>6,262</u>
TOTAL ASSETS	<u>196,164</u>

LIABILITY

Accrued payroll and payroll liabilities	<u>26,576</u>
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NET ASSETS

Unrestricted	<u><u>\$ 169,588</u></u>
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See notes to basic financial statements

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2007

REVENUE:	
Charges for service	\$ 101,912
Transfers in	<u>458,670</u>
TOTAL REVENUES	<u>560,582</u>
EXPENSES :	
Salaries	292,821
Employee benefits	80,695
Purchases services	26,940
Supplies	171,321
Miscellaneous	<u>135</u>
TOTAL EXPENSES	<u>571,912</u>
OPERATING AND NET LOSS	(11,330)
NET ASSETS, July 1, 2006	<u>180,918</u>
NET ASSETS, June 30, 2007	<u><u>\$ 169,588</u></u>

See notes to basic financial statements

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

ENTERPRISE FUND

STATEMENT OF CASH FLOWS

JUNE 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for services	\$ 122,678
Cash received from interfund services provided	458,670
Cash paid to suppliers for goods and services	(186,696)
Cash paid to employees for services	<u>(374,501)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES AND NET CHANGE IN CASH AND CASH EQUIVALENTS	20,151
CASH AND CASH EQUIVALENTS, July 1, 2006	<u>169,751</u>
CASH AND CASH EQUIVALENTS, June 30, 2007	<u><u>\$ 189,902</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (11,330)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts payables	11,700
Accounts receivable	20,766
Payroll liabilities	<u>(985)</u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 20,151</u></u>

See notes to basic financial statements

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

AGENCY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

ASSETS:

Cash and cash equivalents	\$	8,958,927
Accounts receivable		<u>109,121</u>
	\$	<u><u>9,068,048</u></u>

LIABILITY:

Accounts payable	\$	3,204,440
Due to school districts		<u>5,863,608</u>
	\$	<u><u>9,068,048</u></u>

See notes to basic financial statements

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR YEAR ENDED JUNE 30, 2007

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Property taxes	\$ 7,018,886	\$ 7,018,886	\$ 7,523,350	\$ 504,464
Charges for services	1,836,000	1,836,000	1,624,311	(211,689)
Earnings on investments	600,000	600,000	960,978	360,978
Intermediate sources	-	-	14,135	14,135
State sources	25,199,255	25,199,255	25,868,129	668,874
Total revenues	34,654,141	34,654,141	35,990,903	1,336,762
EXPENDITURES				
Current:				
Support services	8,561,896	8,861,896 (1)	8,296,166	565,730
Debt service *	847,541	847,541	811,829	35,712
Contingency	500,000	200,000 (1)	-	200,000
Total expenditures	9,909,437	9,909,437	9,107,995	(801,442)
EXCESS OF REVENUES OVER EXPENDITURES	24,744,704	24,744,704	26,882,908	2,138,204
OTHER FINANCING USES:				
Transfers in	988,066	988,066	171,859	(816,207)
Transfers out *	(25,732,770)	(25,732,770)	(24,394,471)	1,338,299
Transits to other agencies *	-	-	(1,306,258)	(1,306,258)
Total other financing uses	(24,744,704)	(24,744,704)	(25,528,870)	32,041
NET CHANGE IN FUND BALANCE	-	-	1,354,038	1,354,038
FUND BALANCE, July 1, 2006	2,500,000	2,500,000	4,211,140	1,711,140
FUND BALANCE, June 30, 2007	\$ 2,500,000	\$ 2,500,000	\$ 5,565,178	\$ 3,065,178

* Appropriated as other uses.

(1) Appropriation level

See notes to basic financial statements

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

SPECIAL REVENUE FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR YEAR ENDED JUNE 30, 2007

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Charges for services	\$ 1,058,496	\$ 1,058,496	\$ 8,421,077	\$ 7,362,581
Other	4,553,344	4,553,344	-	(4,553,344)
State sources	10,617,124	10,617,124	1,153,478	(9,463,646)
Federal sources	6,069,155	6,069,155	15,790,874	9,721,719
Total revenues	22,298,119	22,298,119	25,365,429	3,067,310
EXPENDITURES				
Current:				
Instruction	25,716,235	25,716,235 (1)	25,201,616	514,619
Support services	13,756,625	13,756,625 (1)	12,832,329	924,296
Enterprise and community services	200,873	200,873 (1)	188,227	12,646
Facilities acquisition and construction	615,000	615,000 (1)	-	615,000
Total expenditures	40,288,733	40,288,733	38,222,172	2,066,561
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,990,614)	(17,990,614)	(12,856,743)	5,133,871
OTHER FINANCING SOURCES (USES):				
Transfers in	16,576,971	16,576,971	14,901,332	(1,675,639)
Transfers out *	(875,218)	(875,218)	(2,360,313)	(1,485,095)
Transits to other agencies *	(1,539,750)	(1,539,750)	(158,272)	1,381,478
Total other financing sources (uses)	14,162,003	14,162,003	12,382,747	(1,779,256)
NET CHANGE IN FUND BALANCE	(3,828,611)	(3,828,611)	(473,996)	3,354,615
FUND BALANCE, July 1, 2006	3,828,611	3,828,611	6,718,773	2,890,162
FUND BALANCE, June 30, 2007	\$ -	\$ -	\$ 6,244,777	\$ 6,244,777

* Appropriated as other uses.

(1) Appropriation level

See notes to basic financial statements



NOTES TO BASIC FINANCIAL STATEMENTS



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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies

Reporting Entity

The Northwest Regional Education Service District (the District) was formed under ORS 334.020 and Section 25, Chapter 784 Oregon Laws 1993. It provides educational services to school districts in Clatsop, Tillamook, Washington and Columbia counties. The District is a municipal corporation governed by an elected seven-member Board of Directors. Administrative officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent-Clerk. As required by accounting principles generally accepted in the United States of America, all activities of the District have been included in these basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies, school districts, and special service districts, which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities, and therefore, none of them are considered component units in accordance with GASB 39 or included in these basic financial statements.

Basis of Presentation

Government-wide Financial Statements

The *Statement of Net Assets* and the *Statement of Activities* display information about the District. These statements include the governmental financial activities of the overall District, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed through property taxes, intergovernmental revenues, and other nonexchange transactions.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each function/program. Direct expenses are those that are specifically associated with a function/program and, therefore, are clearly identifiable to that function/program. Indirect expenses are not allocated. Program revenues include charges to students or others for tuition, fees, rentals, materials, supplies or services provided and operating grants and contributions. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter is excluded from the government-wide financial statements.



NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies - (Continued)

Fund Financial Statements

The fund financial statements provide information about the funds including those of a fiduciary nature. Separate statements for each fund category – governmental, business-type and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

The District reports the following major funds:

General Fund – The General Fund provides for those programs and services authorized by local school districts through the resolution process or by service agreements. Major sources of revenue are property taxes, state reimbursements and charges to other agencies.

Special Revenue Fund – The Special Revenue Fund provides instructional and support services to local school districts through contracts and reimbursements. Major revenue sources are charges to other education districts and federal and state grants.

Additionally, there are the following fund types:

Capital Projects Fund – This fund accounts for resources to replace or acquire new facilities and capital equipment. The principal resources are transfers from the General Fund and interest earnings.

Proprietary Fund Type – The proprietary fund accounts for services provided by the District, mainly data processing and warehousing, to other governmental agencies. The principal revenue sources are charges for services and supplies.

Fiduciary Fund Type – The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund accounts for pass through money received from local and county sources and distributed to school districts. The agency funds are accounted for using the full accrual basis of accounting.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund financial statements are reported using the accrual basis of accounting but does not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.



NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies – (Continued)

Measurement Focus and Basis of Accounting-(Continued)

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. All revenues reported in the governmental funds are considered to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. For purposes of the government-wide and proprietary fund financial statements the District follows private-sector standards of accounting and financial reporting issued on or before November 30, 1989, unless those pronouncements conflict or contradict the guidance of Governmental Accounting Standards Board pronouncements.

The proprietary fund type (Enterprise fund) revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. The principal revenues are charges to customers for sales and services. Expenses include the costs of sales and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at cost, which approximates fair value.



NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies - (Continued)

Property Taxes

Property taxes are levied and become a lien on all taxable property as of July 1. Property taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

Receivables

Receivables represent amounts due from the sale of services or materials to local education agencies and unreimbursed expenditures due from grantor agencies. Grant revenues are recorded at the time eligible expenditures are incurred. Grant revenues received prior to the occurrence of qualifying expenditures are recorded as deferred revenue.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed, or estimated historical cost when original cost is not available. Donated fixed assets are recorded at their estimated fair value at the date of donation. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of three years. Upon disposal of capital assets, the accounts are relieved of the related amounts, and any proceeds accounted for as revenue. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40-50 years
Leasehold improvements	5-15 years
Vehicles and equipment	5-15 years

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service within the District. All unused vacation pay and related payroll taxes is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.



NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies - (Continued)

Long-term Debt

In the government-wide financial statements long-term debt (certificates of participation) is reported as a liability in the Statement of Net Assets. Discounts, as well as issuance costs, are deferred and amortized over the life of the certificates of participation using the straight-line method, which approximates the effective interest method. In the fund financial statements discounts, as well as issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pension Plan

Substantially all of the employees are participants in the State of Oregon Public Employees Retirement Fund (OPERF). Contributions to OPERF are made on a current basis as required by the plan.

Budget

In accordance with Oregon Local Budget Law, a budget is prepared and legally adopted for all funds on the modified accrual basis of accounting. The budgetary basis of accounting for the governmental fund types is the same basis as accounting principles generally accepted in the United States of America except capital outlay expenditures are budgeted by function. For the proprietary fund type the budgetary basis is the same as the accounting principles generally accepted in the United States of America basis except that service charges to other funds are budgeted as operating transfers in.

The budgeting process begins by appointing budget committee members in early fall of each year. Budget recommendations are developed through early spring and the Budget Committee and the Board of Directors approves the budget in late spring. Public notices of the budget hearing are generally published in early June and the public hearing is held in late June. The budget is adopted, appropriations are made, and the tax levy is declared not later than June 30.

Expenditure budgets are appropriated at the major function level (instruction, supporting services, enterprise and community services, building acquisition, construction and improvement, contingency, and other uses) for each fund.

Appropriations may not be legally over expended, except in the case of grant receipts, which could not be reasonably estimated at the time the budget was adopted. Management must obtain Board of Directors authorization for all appropriation transfers and supplemental budgets. Supplemental budgets less than 10% of the fund's original budget may be adopted by the Board of Directors at a regular Board meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board of Directors.



**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

Appropriation transfers were made during the year. Expenditures of the various funds were within authorized appropriations except for: the Capital Projects Fund, support services was overexpended by \$8,415 and Enterprise Fund, support services was overexpended by \$9,723. Appropriations lapse at the end of each fiscal year.

2. Deposits and Investments

Cash and Investments consisted of:

Demand Deposits	\$ 2,419,686
Petty Cash	2,050
Investments Government Securities	6,192,800
State of Oregon Treasurer's Local Government Investment Pool	14,316,572
	<u>\$ 22,931,108</u>

Cash and cash equivalents are reported as follows:

Governmental funds	\$ 13,782,279
Proprietary funds	189,902
Fiduciary funds	8,958,927
	<u>\$ 22,931,108</u>

Deposits

Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements is \$3,641,973 of which \$100,000 is covered by federal depository insurance and \$885,493 was fully collateralized with securities held by financial institutions acting as agents for the District and the remainder was uncollateralized. Oregon Revised Statutes require depository institutions to maintain on deposit, with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager.

Investments

Statutes authorize investing in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Fitch Ratings and Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record (A-2/P-2 if Oregon commercial paper) and the state treasurer's investment pool. The District's investment at June 30, 2007, as listed above was invested in the State Treasurer's Local Investment Pool and in Key Bank Capital Markets, Division of McDonald Investments Inc. The District's investments are U.S. Government back bonds with various annuities from 3 to 18 months.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution.



**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2007.

Amounts in the State Treasurer’s Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the District’s position in the State Treasurer’s Local Government Investment Pool and the value of the pool shares at June 30, 2007. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The District does not have any investments that have a maturity date.

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk

At June 30, 2007, 62% was invested in the State Treasurer’s Investment Pool, 27% in U.S. Government Bonds and 11% in Wells Fargo Bank with \$8 million collateral. State statutes do not limit the percentage of investments in those instruments.

3. Receivables

Accounts and other receivables consist primarily of claims for reimbursements of costs under various federal and state grant programs and services provided to local component school districts.

Receivable are comprised as follows:

Property taxes	\$ 267,802
Grants	1,486,412
Trade and other	1,061,676
	<u>\$ 2,815,890</u>

Receivables are reported as follows:

Governmental funds	\$ 2,700,507
Proprietary funds	6,262
Fiduciary funds	109,121
	<u>\$ 2,815,890</u>



NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

4. Capital Assets

Capital assets activity for the year was as follows:

	Balance June 30, 2006	Increase	Decrease	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 467,500	\$ -	\$ -	\$ 467,500
Capital assets being depreciated:				
Buildings and Improvements	9,965,918	25,210	-	9,991,128
Leasehold improvements	74,155	-	-	74,155
Vehicles and equipment	4,140,188	134,795	(64,462)	4,210,521
Total capital assets being depreciated	<u>14,180,261</u>	<u>160,005</u>	<u>(64,462)</u>	<u>14,275,804</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,930,473)	(203,327)	-	(2,133,800)
Leasehold improvements	(47,617)	(3,860)	-	(51,477)
Vehicles and equipment	(2,858,414)	(362,387)	64,462	(3,156,339)
Total accumulated depreciation	<u>(4,836,504)</u>	<u>(569,574)</u>	<u>64,462</u>	<u>(5,341,616)</u>
Total capital assets being depreciated, net	<u>9,343,757</u>	<u>(409,569)</u>	<u>-</u>	<u>8,934,188</u>
Total capital assets, net	<u>\$ 9,811,257</u>	<u>\$ (409,569)</u>	<u>\$ -</u>	<u>\$ 9,401,688</u>

Depreciation expense for the year was charged to the following functions/programs:

Instruction:	
Regular programs	\$ 13,440
Special programs	51,205
Support services:	
Student Services	41,465
Instructional staff services	13,898
General administration	25,916
Business services	36,681
Central activities	386,969
	<u>\$ 569,574</u>

5. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. There have not been any losses in the past three years that exceeded their insurance coverage.



**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

6. Long-Term Debt

	Outstanding July 1, 2006	Payments	Outstanding June 30, 2007
Certificates of Participation: original issue, \$9,668,779; interest 3.0 - 6.35%	\$ 9,095,000	\$ (400,000)	\$ 8,695,000
	Current	Noncurrent	Total
Maturities - face value	\$ 410,000	\$ 8,285,000	\$ 8,695,000
Less unamortized bond discount	(14,784)	(231,555)	(246,339)
	\$ 395,216	\$ 8,053,445	\$ 8,448,661
Year Ending June 30,	Certificates of Participation	Interest	Total
2008	410,000	607,914	1,017,914
2009	430,000	590,221	1,020,221
2010	435,000	360,823	795,823
2011	470,000	344,059	814,059
2012	490,000	325,579	815,579
2013-2016	2,020,000	1,072,258	3,092,258
2017-2020	1,920,000	708,588	2,628,588
2021-2025	2,520,000	326,585	2,846,585
	8,695,000	\$ 4,336,025	\$ 13,031,025
Unamortized discount	(246,339)		
	\$ 8,448,661		

Changes in long-term debt for the year are as follows:

Principal and interest payments on certificates of participation are made from the General and Capital Projects Funds. Certificates of participation were issued to finance construction and acquisition of capital assets.

Certificates of Participation	July 1, 2006	Payments	June 30, 2007
Series 1995 Columbia Service Center	\$ 320,000	\$ (15,000)	\$ 305,000
Series 1999 Washington Service Center	505,000	(165,000)	340,000
Series 2001 Pacific Academy	1,120,000	(105,000)	1,015,000
Series 2005 Washington	2,975,000	(115,000)	2,860,000
Series 2005 B - Washington	4,175,000	-	4,175,000
Total Long-Term Debt	\$ 9,095,000	\$ (400,000)	\$ 8,695,000



NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

7. Interfund Transfers

The following is a reconciliation of interfund transfers.

	General Fund	Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Fiduciary Fund	TOTAL
Transfers In	\$ 171,859	\$ 14,901,332	\$ 361,872	\$ 458,670	\$ 23,957,985	\$ 39,851,718
Transfers Out	\$ (24,394,471)	\$ (2,360,313)	\$ -	\$ -	\$ (13,096,934)	\$ (39,851,718)
	\$ (24,222,612)	\$ 12,541,019	\$ 361,872	\$ 458,670	\$ 10,861,051	\$ -

General Fund

Transfers In - Recovery of expenses.

Transfers Out - Support to programs and service credits allocation to the agency funds school districts accounts.

Special Revenue Fund

Transfers In - Revenue recorded as charges for services related with service credits and distribution of county allocations.

Transfers Out - Support to programs and discretionary funds to participating school districts to the agency funds.

Capital Projects Fund

Transfers In - Support from General Fund.

Transfer Out - No activity during the fiscal year.

Enterprise Fund

Transfer In - Revenue recorded as charges for services related with service credits.

Transfer Out - No activity during the fiscal year.

Fiduciary Fund

Transfer In - Discretionary funds to participating school districts and service credits allocation.

Transfer Out - Transfer to cover cost associated with services received by school districts.

8. Operating Lease Agreements

The District leases building space at various locations. Approximate future minimum rental commitments under these agreements are as follows:

Year Ending June 30,	Amount
2008	391,882
2009	398,205
2010	298,352
2011-15	1,170,200
	<u>\$ 2,258,639</u>

The total rental expense under these or similar leases was approximately \$1,138,933 for the year ended June 30, 2007.



**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

9. Pension Plan

Contributions are made to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

Members of PERS are required to contribute 6% of their salary covered under the plan. The District is required by ORS 238.225 to contribute the remaining amounts to pay benefits when due. The current rate is 11.11% of salary covered under the plan. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Contributions to PERS for the years ended June 30, 2007, 2006, and 2005 was approximately \$3,828,695, \$2,963,396, and \$2,461,479 respectively, equal to the required contribution for each year.

The 2003 Oregon Legislature passed PERS reform legislation and essentially created a new retirement plan for employees hired on or after August 29, 2003. These employees become members of the Oregon Public Service Retirement Plan (OPSRP). OPSRP is a hybrid retirement plan with two components: the Pension Program (defined benefit plan) and the Individual Account Program (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan). OPSRP is administered by PERS.

10. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government. The amount, if any, of costs that may be disallowed by the grantor cannot be determined at this time, although District management expects such amounts, if any, to be immaterial.

The District is a defendant in certain legal actions currently pending. Although their outcome cannot be determined, it is the opinion of management that settlement of these matters will not have a material effect on the financial position and results of operations.

A substantial portion of operating funding is received from the State of Oregon, State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate they can cause the Districts to either have increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the District's operations can not be determined.



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SUPPLEMENTAL INFORMATION

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources:				
Interest on investments	\$ 15,000	\$ 15,000	\$ 9,627	\$ (5,373)
Recouping current expenses	-	-	9,523	9,523
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>19,150</u>	<u>4,150</u>
EXPENDITURES:				
Support services *	465,090	465,090 (1)	473,505	(8,415)
Other uses	135,000	135,000 (1)	25,026	109,974
Total expenditures	<u>600,090</u>	<u>600,090</u>	<u>498,531</u>	<u>101,559</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(585,090)</u>	<u>(585,090)</u>	<u>(479,381)</u>	<u>105,709</u>
OTHER FINANCING SOURCE				
Transfers in	465,090	465,090	361,872	(103,218)
NET CHANGE IN FUND BALANCE	<u>(120,000)</u>	<u>(120,000)</u>	<u>(117,509)</u>	<u>2,491</u>
FUND BALANCE, July 1, 2006	<u>120,000</u>	<u>120,000</u>	<u>120,563</u>	<u>563</u>
FUND BALANCE, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,054</u>	<u>\$ 3,054</u>

* Appropriated as facilities acquisition and construction

(1) Appropriation level

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

ENTERPRISE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES:				
Local sources:				
Services provided to local districts	\$ 115,351	\$ 115,351	\$ 47,891	\$ (67,460)
Recouping current expenses	-	-	18,542	18,542
Supplies provided to other agencies	-	-	35,479	35,479
Total revenues	115,351	115,351	101,912	(13,439)
EXPENDITURES:				
Support services				
Technology services	562,189	562,189 (1)	571,912	(9,723)
Total expenditures	562,189	562,189	571,912	(9,723)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(446,838)	(446,838)	(470,000)	(23,162)
OTHER FINANCING SOURCE				
Transfers in	396,838	396,838	458,670	61,832
Total other financing sources (uses)	396,838	396,838	458,670	61,832
NET CHANGE IN FUND BALANCE	(50,000)	(50,000)	(11,330)	38,670
FUND BALANCE, July 1, 2006	50,000	50,000	180,918	130,918
FUND BALANCE, June 30, 2007	\$ -	\$ -	\$ 169,588	\$ 169,588

(1) Appropriation level

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

AGENCY FUNDS

**SCHEDULE OF REVENUES, OTHER FINANCING SOURCES (USES)
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2007

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local sources:				
Earnings on investments	\$ 60,000	\$ 60,000	\$ 261,943	\$ 201,943
Revenue in lieu of taxes	2,450,000	2,450,000	\$ 1,827,819	(622,181)
Other state revenues	1,300,000	1,300,000	1,361,456	61,456
Total revenues	3,810,000	3,810,000	3,451,218	(358,782)
EXPENDITURES:				
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,810,000	3,810,000	3,451,218	(358,782)
OTHER FINANCING SOURCE				
Transfers in	21,797,975	21,797,975	23,957,985	2,160,010
Transfers out *	(13,616,952)	(13,616,952) (1)	(13,096,934)	520,018
Transits to other agencies *	(14,491,023)	(14,491,023) (1)	(13,967,539)	523,484
Total other financing sources (uses)	(6,310,000)	(6,310,000)	(3,106,488)	3,203,512
NET CHANGE IN FUND BALANCES	(2,500,000)	(2,500,000)	344,730	2,844,730
FUND BALANCE, July 1, 2006	2,500,000	2,500,000	5,518,878	3,018,878
FUND BALANCE, June 30, 2007	\$ -	\$ -	\$ 5,863,608	\$ 5,863,608

* Appropriated as other uses.

(1) Appropriation level

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

**REVENUE SUMMARY - ALL FUNDS
YEAR ENDED JUNE 30, 2007**

Revenue from Local Sources	Fund 100	Fund 200	Fund 400	Fund 500	Fund 700	TOTAL
1111 Taxes - current year's levy	\$ 6,768,349	\$ -	\$ -	\$ -	\$ -	\$ 6,768,349
1112 Taxes - prior year's levies	644,377	-	-	-	-	644,377
1114 Tax offsets	97,748	-	-	-	-	97,748
1190 Penalties and interest on taxes	12,876	-	-	-	-	12,876
1311 Tuition from other districts within the state	-	38,368	-	-	-	38,368
1312 Tuition from regional districts	-	688,244	-	-	-	688,244
1314 Tuition from IN/ST Out/Regional	-	370,562	-	-	-	370,562
1410 Transportation fees	-	20,331	-	-	-	20,331
1510 Earnings on investments	960,978	87,005	9,627	-	261,943	1,319,553
1620 Nonreimbursable daily meals	-	139	-	-	-	139
1629 Visitor's meals	-	2,139	-	-	-	2,139
1811 GED fees	-	48,385	-	-	-	48,385
1910 Rentals	2,520	4,500	-	-	-	7,020
1920 Contributions and donations from private sources	-	84,501	-	-	-	84,501
1922 Grants from private sources	-	166,380	-	127	-	166,507
1941 Services provided other district within the state	128,841	1,308,140	-	47,764	-	1,484,745
1945 In house billings	103,668	4,244,463	-	-	-	4,348,131
1961 Recouping current expenses	43,115	202,790	10,115	18,542	-	274,562
1966 MAC	-	775,636	-	-	-	775,636
1980 Fees charges to grants	1,316,836	-	-	-	-	1,316,836
1990 Miscellaneous	23,704	154,203	-	172	-	178,079
1993 Services to other agencies	5,627	27,978	(592)	35,307	-	68,320
1994 NWRES D third-party billing	-	186,638	-	-	-	186,638
1995 District third-party billing	-	7,312	-	-	-	7,312
1998 HTR Catering Services	-	3,363	-	-	-	3,363
Total Revenue from Local Sources	\$ 10,108,639	\$ 8,421,077	\$ 19,150	\$ 101,912	\$ 261,943	\$ 18,912,721
Revenue from Intermediate Sources	Fund 100	Fund 200	Fund 400	Fund 500	Fund 700	TOTAL
2105 Natural gas, oil and mineral receipts	14,135	-	-	-	-	14,135
2800 Revenue in lieu of taxes	-	-	-	-	1,827,819	1,827,819
Total Revenue from Intermediate Sources	\$ 14,135	\$ -	\$ -	\$ -	\$ 1,827,819	\$ 1,841,954

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

REVENUE SUMMARY - ALL FUNDS (Continued)
YEAR ENDED JUNE 30, 2007

	Fund 100	Fund 200	Fund 400	Fund 500	Fund 700	TOTAL
Revenue from State Sources						
3101 State School Support	\$ 25,527,959	\$ -	\$ -	\$ -	\$ -	\$ 25,527,959
3104 State Timber Revenue	340,170	-	-	-	-	340,170
3250 Oregon Youth Conservation Corp.	-	16,051	-	-	-	16,051
3299 Other restricted grants-in-aid	-	1,103,513	-	-	-	1,103,513
3990 Other state sources	-	32,048	-	-	1,361,456	1,393,504
3999 Other	-	1,866	-	-	-	1,866
Total Revenue from State Sources	\$ 25,868,129	\$ 1,153,478	\$ -	\$ -	\$ 1,361,456	\$ 28,383,063
Revenue from Federal Sources						
4311 Indian Education	-	130,628	-	-	-	130,628
4312 Implementation of Mental Health/Children	-	21,331	-	-	-	21,331
4325 US Fish & Wildlife	-	5,000	-	-	-	5,000
4504 National School Breakfast Program	-	9,739	-	-	-	9,739
4505 National School Lunch Program	-	25,112	-	-	-	25,112
4508 IDEA	-	14,987,505	-	-	-	14,987,505
4510 Title II Math and Science	-	115,179	-	-	-	115,179
4511 NCLB Strategist Trainings	-	1,295	-	-	-	1,295
4512 Title I Neglected / Delinquent	-	22,483	-	-	-	22,483
4514 Title III NCLB Grant	-	96,004	-	-	-	96,004
4515 Title IC Migrant Project	-	85,663	-	-	-	85,663
4516 Title III NCLB ADEPT	-	6,622	-	-	-	6,622
4517 Youth Transition	-	84,531	-	-	-	84,531
4521 Serve Oregon - L&S America	-	940	-	-	-	940
4526 Alternate Assessment Training	-	54,689	-	-	-	54,689
4540 Oregon Deaf/Blind Project	-	2,766	-	-	-	2,766
4580 Vocational Education Technology Prep	-	15,000	-	-	-	15,000
4581 Vocational Education Basic Grant	-	69,677	-	-	-	69,677
4582 Commission for the Blind	-	26,632	-	-	-	26,632
4586 ESD Diploma Requirements	-	24,850	-	-	-	24,850
4910 Food Donation	-	5,228	-	-	-	5,228
Total Revenue from Federal Sources	\$ -	\$ 15,790,874	\$ -	\$ -	\$ -	\$ 15,790,874
Revenue from Other Sources						
5200 Interfund Transfers	24,389	2,422,927	361,872	-	23,957,985	26,767,173
5202 Service Credits Transfers	147,470	12,478,405	-	458,670	-	13,084,545
5300 Apportionment of Funds	-	-	-	-	-	-
5400 Resources - Beginning Fund Balance	4,211,140	6,718,773	120,563	180,918	5,518,878	16,750,272
Total Revenue from Other Sources	\$ 4,382,999	\$ 21,620,105	\$ 482,435	\$ 639,588	\$ 29,476,863	\$ 56,601,990
Total	\$ 40,373,902	\$ 46,985,534	\$ 501,585	\$ 741,500	\$ 32,928,081	\$ 121,530,602

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

GENERAL FUND

**EXPENDITURE SUMMARY
YEAR ENDED JUNE 30, 2007**

Fund: 100 General Funds

Support Services Expenditures

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	TOTAL
2112 Attendance services	\$ 195,599	\$ 44,899	\$ 5,141	\$ 4,746	\$ -	\$ 14	\$ -	\$ 250,399
2119 Other attendance and social work	12,042	6,785	733	1,508	-	436	-	21,504
2190 Service direction, student support services	637,972	248,134	48,059	9,854	-	37,239	-	981,258
2212 School improvement administration	413,018	165,998	53,253	15,610	-	15,081	-	662,960
2214 Assessment and performance	-	-	89,539	-	-	-	-	89,539
2219 Other improvement of instruction services	91,212	34,994	2,801	1,976	-	1,863	-	132,846
2223 Multimedia services	53,959	31,855	713	2,884	-	46,978	-	136,389
2224 Educational television services	57,287	24,947	-	-	-	872	-	83,106
2240 Instructional staff and development	-	4	-	-	-	-	-	4
2310 Board of education services	-	-	80,977	7,957	-	5,525	-	94,459
2321 Office of the superintendent services	223,099	80,462	28,612	20,491	-	13,699	-	366,363
2322 Deputy superintendents office	159,668	51,758	32,311	3,198	-	2,767	-	249,702
2323 Regional superintendent council	-	-	8,339	-	-	-	-	8,339
2325 Superintendent relations	-	-	-	1,992	-	-	-	1,992
2329 Other executive administration services	453,337	211,540	121,881	24,628	-	80,176	-	891,562
2510 Direction of business support services	417,277	191,164	105,431	3,717	-	123,878	-	841,467
2540 Operation and maintenance of plant services	157,168	79,625	174,405	50,171	14,015	20,415	-	495,799
2573 Warehousing and distributing services	100,493	52,884	3,582	13,591	-	2,624	-	173,174
2574 Printing, publishing and duplicating services	73,154	37,557	69,491	23,763	-	2,227	-	206,192
2575 Warehouse services	-	(57)	-	-	-	436	-	379
2579 Other internal services	29,521	15,181	91	228	-	872	-	45,893
2633 Public information services	49,153	22,942	19,262	4,131	-	1,023	-	96,511
2640 Staff services	280,109	106,261	63,100	10,309	5,195	9,496	-	474,470
2661 Service area direction	146,509	57,305	3,939	274	-	2,429	-	210,456
2662 Systems analysis services	278,565	102,560	280,319	5,843	-	23,220	-	690,507
2663 Programming services	205,658	92,879	28,304	3,875	-	2,279	-	332,995
2664 Operation services	392,582	167,376	61,529	13,476	-	4,408	-	639,371
2690 Other support central	81,121	31,531	2,873	1,828	-	1,177	-	118,530
Total Support Services Expenditures	\$ 4,508,503	\$ 1,858,584	\$ 1,284,685	\$ 226,050	\$ 19,210	\$ 399,134	\$ -	\$ 8,296,166

Other Uses Expenditures

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	TOTAL
5110 Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 811,829	\$ -	\$ 811,829
5200 Transfers of Funds	-	-	-	-	-	-	24,394,471	24,394,471
5300 Apportionment of Funds	-	-	-	-	-	-	1,306,258	1,306,258
Total Other Uses Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 811,829	\$ 25,700,729	\$ 26,512,558

Total 100 General Funds	\$ 4,508,503	\$ 1,858,584	\$ 1,284,685	\$ 226,050	\$ 19,210	\$ 1,210,963	\$ 25,700,729	\$ 34,808,724
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NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

SPECIAL REVENUE FUND

**EXPENDITURE SUMMARY
YEAR ENDED JUNE 30, 2007**

Fund: 200 Special Revenue Funds

Instruction Expenditures

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	TOTAL
1121 Middle / Junior high programs	\$ 357,012	\$ 96,629	\$ 268,306	\$ 108,820	\$ 9,462	\$ 1,039	\$ -	841,268
1131 High school programs	404,548	150,626	298,094	151,739	158	10,231	-	1,015,396
1220 Restrictive programs for students with disabilities	284,561	182,701	15,394	2,923	-	-	-	485,579
1221 Students with disabilities - restrictive	948,127	477,648	849,279	42,909	-	-	-	2,317,963
1250 Students with disabilities - less restrictive	4,831,942	2,288,531	1,005,913	279,179	79,795	471,777	-	8,957,137
1260 Early intervention	3,193,817	1,647,525	4,822,814	139,695	6,003	871,273	-	10,681,127
1281 Public alternative programs	137,922	72,788	4,895	5,050	-	-	-	220,655
1289 Other alternative programs	9,940	2,098	287	-	-	-	-	12,325
1294 Youth corrections	261,454	98,716	40,286	76,010	-	42,753	-	519,219
1299 Other programs	98,287	31,497	7,646	8,090	-	5,427	-	150,947
Total Instruction Expenditures	\$ 10,527,610	\$ 5,048,759	\$ 7,312,914	\$ 814,415	\$ 95,418	\$ 1,402,500	\$ -	\$ 25,201,616

Support Services Expenditures

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	TOTAL
2117 ID/Recruitment migrant	45,383	20,405	13,067	1,420	-	4,048	-	84,323
2129 Other guidance service	-	-	-	-	-	956	-	956
2139 Other health service	1,518,029	660,923	94,875	9,807	-	-	-	2,283,634
2140 Psychological services	1,616,824	631,514	89,255	48,550	-	2,422	-	2,388,565
2152 Speech pathology services	2,626,434	996,820	211,282	27,853	-	4,960	-	3,867,349
2153 Audiology services	-	-	-	28	42,860	-	-	42,888
2190 Service direction, student support services	1,022,386	405,928	14,684	8,302	-	2,551	-	1,453,851
2191 Special education administration	4,265	174	3,955	261	-	-	-	8,655
2219 Other improvement of instruction services	30,381	15,116	86,349	1,457	-	7,399	-	140,702
2230 Assessment and testing	28,511	18,841	48,587	8,483	-	239	-	104,661
2240 Instructional staff development	98,019	18,482	134,727	46,659	-	15,210	-	313,097
2410 Office of principal services	123,186	51,968	-	-	-	545	-	175,699
2490 Other support services - school administration	118,479	22,747	126,555	1,268	-	-	-	269,049
2523 Receiving and disbursing funds services	-	-	7,927	1,577	-	-	-	9,504
2529 Other fiscal services	-	(1,276)	-	976	-	22,455	-	22,155
2540 Operation Maintenance Plant Services	-	-	-	-	100,000	-	-	100,000
2579 Other internal services	30,035	267,964	-	-	-	1,500	-	299,499
2640 Staff services	-	147,831	(28)	-	-	-	-	147,803
2660 Technology services	199,393	81,040	399,146	168,891	-	50	-	848,520
2690 Other support service - central	-	-	104	-	-	-	-	104
2999 Other support services	75,493	27,367	147,119	21,040	-	296	-	271,315
Total Support Services Expenditures	\$ 7,536,818	\$ 3,365,844	\$ 1,377,604	\$ 346,572	\$ 142,860	\$ 62,631	\$ -	\$ 12,832,329

Enterprise and Community Services

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	TOTAL
3300	-	-	29,776	6,900	-	175	-	36,851
3390 Other community services	64,975	33,651	7,842	3,170	-	41,738	-	151,376
Total Enterprise and Community Services	\$ 64,975	\$ 33,651	\$ 37,618	\$ 10,070	\$ -	\$ 41,913	\$ -	\$ 188,227

Other Uses Expenditures

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	TOTAL
5200 Transfers of Funds	-	-	-	-	-	-	2,360,313	2,360,313
5300 Apportionment of Funds	-	-	-	-	-	-	158,272	158,272
Total Other Uses Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,518,585	\$ 2,518,585

Total 200 Special Revenue Funds

\$ 18,129,403	\$ 8,448,254	\$ 8,728,136	\$ 1,171,057	\$ 238,278	\$ 1,507,044	\$ 2,518,585	\$ 40,740,757
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NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

CAPITAL PROJECTS FUND

**EXPENDITURE SUMMARY
YEAR ENDED JUNE 30, 2007**

Fund: 400 Capital Projects Funds

Support Services Expenditures

2660 Technology Services

Total Support Services Expenditures

Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	TOTAL
\$ -	\$ -	\$ 39,235	\$ 327,031	\$ 107,239	\$ -	\$ -	\$ 473,505
\$ -	\$ -	\$ 39,235	\$ 327,031	\$ 107,239	\$ -	\$ -	\$ 473,505

Facilities Acquisition and Construction

4150 Building acquisition, construction and improvement

Total Facilities and Construction Expenditures

Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	TOTAL
-	-	24,906	-	-	120	-	25,026

\$ -	\$ -	\$ 24,906	\$ -	\$ -	\$ 120	\$ -	\$ 25,026
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Total 400 Capital Projects Funds

\$ -	\$ -	\$ 64,141	\$ 327,031	\$ 107,239	\$ 120	\$ -	\$ 498,531
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NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

ENTERPRISE FUND

**EXPENDITURE SUMMARY
YEAR ENDED JUNE 30, 2007**

Fund: 500 Enterprise Funds

Support Services Expenditures

2660 Technology services

Total Support Services Expenditures

Total 500 Enterprise Funds

Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	TOTALS
292,821	80,695	26,940	171,321	-	135	-	\$ 571,912
\$ 292,821	\$ 80,695	\$ 26,940	\$ 171,321	\$ -	\$ 135	\$ -	\$ 571,912
\$ 292,821	\$ 80,695	\$ 26,940	\$ 171,321	\$ -	\$ 135	\$ -	\$ 571,912

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

AGENCY FUNDS

**EXPENDITURE SUMMARY
YEAR ENDED JUNE 30, 2007**

Fund: 700 Agency Funds

Other Uses Expenditures

5200 Transfer of Funds

5202 Credits Transfers

5300 Apportionment of Funds

Total Other Uses Expenditures

Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700	TOTALS
-	-	-	-	-	-	12,390	12,390
-	-	-	-	-	-	13,084,544	13,084,544
-	-	-	-	-	-	13,967,539	13,967,539
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,064,473	\$ 27,064,473

Total 700 Agency Funds

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,064,473	\$ 27,064,473
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NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2007

Tax Year	Uncollected July 1, 2006	Levy	Discounts Allowed	Interest	Adjustments	Collections	Uncollected June 30, 2007
Current: 2006-2007	\$ -	\$ 7,654,506	\$ (187,405)	\$ 3,439	\$ (14,849)	\$ (7,271,834)	\$ 183,857
Prior:							
2005-2006	124,763	-	57	5,796	(4,203)	(109,573)	16,840
2004-2005	69,105	-	47	3,138	(1,386)	(24,923)	45,981
2003-2004	25,922	-	69	3,354	(2,186)	(17,943)	9,216
2002-2003	10,540	-	5	2,027	(776)	(7,824)	3,972
2001-2002	3,979	-	-	602	(179)	(3,124)	1,278
2000-2001 and prior	6,658						6,658
Total Prior	240,967	-	178	14,917	(8,730)	(163,387)	83,945
Total Taxes	\$ 240,967	\$ 7,654,506	\$ (187,227)	\$ 18,356	\$ (23,579)	\$ (7,435,221)	\$ 267,802

Reconciliation to Revenue:

Collections	\$ 7,435,221
June 30, 2005 accrual	(44,473)
June 30, 2006 accrual	43,444
Tax offsets and other	89,158
Property tax revenue	<u>\$ 7,523,350</u>

Northwest Regional Education Service District
Hillsboro, Oregon

**SUPPLEMENTAL INFORMATION REQUIRED BY THE STATE OF OREGON
DEPARTMENT OF EDUCATION
YEAR ENDED JUNE 30, 2007**

School District Business Managers and Auditors:

This page is a required part of your annual audited financial statements. Please make sure it is included.

Parts A is needed for computing Oregon's full allocation for ESEA, Title I & other Federal Funds for Education.

A. Energy Bill for Heating - **All Funds:**

Please enter your expenditures for electricity & heating fuel for these Functions & Objects.

	Objects 325 & 326
Function 2540	\$ 0.00
Function 2550	\$ 0.00

B. Replacement of Equipment – **General Fund:**

Include all General Fund expenditures in object 542, except for the following exclusions:

Exclude these functions:

1113, 1122 & 1132 Co-curricular Activities
1140 Pre-Kindergarten
1300 Continuing Education
1400 Summer School

Exclude these functions:

4150 Construction
2550 Pupil Transportation
3100 Food Service
3300 Community Services

\$ 0.00

Fund	Audit Pg #	Amount
		\$ 0.00
		\$ 0.00



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Statistical Section



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NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

CONDENSED STATEMENT OF NET ASSETS
Last Five Fiscal Years
(accrual basis of accounting)

Governmental Activities	Fiscal Years				
	2002-03	2003-04	2004-05	2005-06	2006-07
Assets					
Cash and cash equivalents	\$ 8,757,228	\$ 13,665,316	\$ 12,246,611	\$ 13,729,935	\$ 13,972,181
Property taxes and other receivables	3,196,113	1,166,455	1,037,774	1,996,696	2,746,196
Inventories	15,077	-	-	-	-
Prepaid expenses	18,518	-	-	-	-
Bond issuance costs, net of accumulated amortization	279,166	266,019	158,646	381,598	363,192
Capital assets, net of depreciation	9,989,459	10,020,638	9,515,598	9,343,757	8,934,188
Land	467,500	467,500	467,500	467,500	467,500
Total assets	22,723,061	25,585,928	23,426,129	25,919,486	26,483,257
Liabilities					
Accounts payable	2,313,011	1,756,653	1,026,135	1,652,056	1,638,215
Accrued payroll, taxes, and employee withholdings	1,322,794	1,614,668	2,189,456	2,645,359	2,873,207
Interest payable	44,552	30,847	36,497	43,983	34,319
Vacation payable	38,137	31,444	38,248	36,638	41,635
Noncurrent liabilities					
Due within one year	314,127	329,127	201,892	385,216	395,216
Due in more than one year	9,659,378	9,330,251	8,252,437	8,448,661	8,053,445
Total liabilities	38,529,654	13,092,990	11,744,665	13,211,913	13,036,037
Net Assets					
Invested in capital assets, net of related debt	483,454	828,760	1,528,769	977,380	953,027
Unrestricted	4,136,564	4,705,054	4,784,097	4,890,857	6,246,362
Restricted for special revenues	3,794,253	6,378,156	5,037,090	6,718,773	6,244,777
Restricted for capital projects	616,791	580,968	331,508	120,563	3,054
Total Net Assets	\$ 9,031,062	\$ 12,492,938	\$ 11,681,464	\$ 12,707,573	\$ 13,447,220

Note:

The District implemented GASB 34 beginning in 2003. As a result, ten years data is not available. Over time, ten fiscal years will be presented.

Source: Statement of Net Assets Northwest Regional ESD

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

CHANGES IN NET ASSETS
Last Five Fiscal Years
(accrual basis of accounting)

Governmental Activities	Fiscal Years				
	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditures					
Instruction	\$ 18,796,616	\$ 17,854,808	\$ 19,109,050	\$ 23,305,088	\$ 25,186,946
Support services	15,440,091	13,217,064	15,396,917	20,860,130	22,081,299
Community services	253,514	114,889	99,460	192,577	188,227
Facilities acquisition	79,694	48,618	-	-	25,026
Transits to other agencies	2,991,476	8,762,401	9,912,698	2,389,979	1,464,530
Transfer to school districts	-	-	-	21,888,066	23,928,011
Loss on disposal of capital assets	92,561	17,199	8,772	24,287	-
Interest on long-term debt	540,581	508,159	450,811	527,797	411,829
Total Expenditures	38,194,533	40,523,138	44,977,708	69,187,924	73,285,868
Program Revenues					
Charges for services					
Instruction	2,555,865	1,287,747	1,684,553	1,902,014	2,244,647
Support services	2,029,174	2,372,330	2,285,773	6,225,423	7,469,903
Community services	-	10,189	96	1,264	2,477
Facilities acquisition	-	-	549	10	-
Operating grants and contributions					
Instruction	11,748,521	12,021,607	13,186,614	17,442,189	16,267,335
Support services	1,133,692	539,390	425,744	347,375	758,666
Community services	-	158,927	113,263	112,103	169,232
Total Program Revenues	17,467,252	16,390,190	17,696,592	26,030,378	26,912,260
Net (Expenditures)	(20,727,281)	(24,132,948)	(27,281,116)	(43,157,546)	(46,373,608)
General Revenues					
Taxes:					
Property taxes, levied for general purposes	6,320,101	6,401,043	7,101,134	7,125,307	7,523,350
Timber revenue	424,080	244,125	301,627	409,994	354,305
State school fund for general support	11,902,938	20,094,033	18,614,032	24,817,632	25,527,959
Service credits transfers	-	-	-	12,073,209	12,625,874
Interest and investment earnings	235,366	224,302	419,770	645,702	1,093,097
Miscellaneous	6,984	107,425	-	-	-
Total General Revenues	18,889,469	27,070,928	26,436,563	45,071,844	47,124,585
Change in Net Assets	\$ (1,837,812)	\$ 2,937,980	\$ (844,553)	\$ 1,914,298	\$ 750,977

Note:

The District implemented GASB 34 beginning in 2003. As a result, ten years data is not available. Over time, ten fiscal years will be presented

Source: Statement of Activities Northwest Regional ESD

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Years				
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Fund Balances					
Unreserved, reported in:					
General fund	\$ 3,206,319	\$ 3,850,350	\$ 4,048,967	\$ 4,211,140	\$ 5,565,178
Special revenue funds	3,794,771	6,378,156	5,037,090	6,718,773	6,244,777
Capital projects funds	616,791	580,968	331,508	120,563	3,054
Total Fund Balances	<u>\$ 7,617,881</u>	<u>\$ 10,809,474</u>	<u>\$ 9,417,565</u>	<u>\$ 11,050,476</u>	<u>\$ 11,813,009</u>

	Fiscal Years				
	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
Fund Balances					
Unreserved, Reported in:					
General fund	\$ 6,207,191	\$ 7,030,845	\$ 6,419,537	\$ 6,003,816	\$ 3,841,710
Special revenue funds	3,757,850	4,649,347	6,479,531	6,080,548	5,397,227
Capital projects funds	229,543	5,774,758	4,171,034	1,468,141	940,422
Total Fund Balances	<u>\$ 10,194,584</u>	<u>\$ 17,454,950</u>	<u>\$ 17,070,102</u>	<u>\$ 13,552,505</u>	<u>\$ 10,179,359</u>

Source: Northwest Regional ESD financial records

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Years				
	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>
Revenues					
Property Taxes	\$ 4,762,463	\$ 4,981,267	\$ 5,192,182	\$ 5,641,265	\$ 5,997,674
Charges for services	2,040,081	1,195,070	1,456,069	1,742,588	1,487,381
Earnings from investments	720,887	681,305	1,178,084	1,074,085	353,641
Other	-	-	-	-	-
Local government entities	2,695,230	4,919,007	4,053,943	4,363,735	3,792,246
Private grants and others	2,390,017	4,239,823	1,236,593	1,418,731	1,212,475
Intermediate sources	786,183	518,647	202,209	-	-
State sources	12,332,534	13,865,404	18,253,199	20,160,061	21,667,176
Federal Sources	<u>2,127,240</u>	<u>2,204,125</u>	<u>3,236,972</u>	<u>3,570,334</u>	<u>3,539,242</u>
Total Revenues	<u>27,854,635</u>	<u>32,604,648</u>	<u>34,809,251</u>	<u>37,970,799</u>	<u>38,049,835</u>
Expenditures					
Current Operating					
Instruction	13,314,305	14,808,159	17,979,619	20,840,719	21,842,266
Support services	10,667,167	14,135,605	11,289,752	14,318,365	16,066,046
Community services	123,377	92,656	58,975	209,530	276,073
Capital outlay	1,139,375	980,052	4,453,056	2,147,144	1,002,854
Building acquisition and improvement	-	-	-	4,687,924	296,212
Debt Service					
Principal	100,000	69,856	89,272	213,806	280,000
Interest	<u>370,102</u>	<u>270,166</u>	<u>489,134</u>	<u>489,923</u>	<u>559,676</u>
Total Expenditures	<u>25,714,326</u>	<u>30,356,494</u>	<u>34,359,808</u>	<u>42,907,411</u>	<u>40,323,127</u>
Excess (deficiency) of revenues over (under) expenditures	2,140,309	2,248,154	449,443	(4,936,612)	(2,273,292)
Other Financing Sources (Uses)					
Bond proceeds	61,191	5,327,912	-	1,523,265	-
Operating transfers in	255,366	1,955,616	3,131,975	3,328,201	2,453,180
Operating transfers out	(477,114)	(2,271,316)	(3,305,588)	(3,532,475)	(2,739,622)
Transfer to other local district	-	-	(660,678)	(211,538)	(813,412)
Total other financing sources (uses)	<u>(160,557)</u>	<u>5,012,212</u>	<u>(834,291)</u>	<u>1,107,453</u>	<u>(1,099,854)</u>
Net change in fund balances	<u>\$ 1,979,752</u>	<u>\$ 7,260,366</u>	<u>\$ (384,848)</u>	<u>\$ (3,829,159)</u>	<u>\$ (3,373,146)</u>
Debt Services as a percentage of noncapital expenditures	1.9%	1.2%	1.9%	1.7%	2.1%

Source: Northwest Regional ESD financial records

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS - Continued
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Years				
	2002-03	2003-04	2004-05	2005-06	2006-07
Revenues					
Property Taxes	\$ 6,249,505	\$ 6,473,226	\$ 6,789,999	\$ 7,125,307	\$ 7,523,350
Charges for services	5,294,066	3,956,943	4,233,039	8,177,570	10,045,388
Earnings from investments	235,366	224,302	378,027	588,525	970,605
Other	471,126	300	7,319	23,432	9,523
Local government entities	-	-	-	-	-
Private grants and others	-	-	-	-	-
Intermediate sources	1,459	1,604	6,399	-	14,135
State sources	21,060,996	28,641,486	24,639,629	36,551,975	27,021,607
Federal Sources	34,799	4,334,197	7,782,003	6,594,305	15,790,874
Total Revenues	<u>33,347,317</u>	<u>43,632,058</u>	<u>43,836,415</u>	<u>59,061,114</u>	<u>61,375,482</u>
Expenditures					
Current Operating					
Instruction	5,121,811	17,786,111	19,027,979	23,231,185	25,201,616
Support services	11,075,092	12,653,277	14,787,595	20,197,876	21,344,512
Community services	-	114,891	99,460	192,577	188,227
Capital outlay	-	74,305	161,062	689,132	257,488
Building acquisition and improvement	-	48,617	175,839	117,605	25,026
Debt Service					
Principal	-	320,000	365,000	267,194	400,000
Interest	590,649	521,864	450,811	527,797	411,829
Total Expenditures	<u>16,787,552</u>	<u>31,519,065</u>	<u>35,067,746</u>	<u>45,223,366</u>	<u>47,828,698</u>
Excess (deficiency) of revenues over (under) expenditures	16,559,765	12,112,993	8,768,669	13,837,748	13,546,784
Other Financing Sources (Uses)					
Bond proceeds	-	-	-	-	-
Operating transfers in	-	4,919,666	5,970,393	15,348,912	15,435,063
Operating transfers out	(3,005,949)	(9,299,433)	(8,792,271)	(25,163,770)	(26,754,784)
Transfer to other local district	(2,943,095)	(4,541,633)	(7,338,689)	(2,389,979)	(1,464,530)
Total other financing sources (uses)	<u>(5,949,044)</u>	<u>(8,921,400)</u>	<u>(10,160,567)</u>	<u>(12,204,837)</u>	<u>(12,784,251)</u>
Net change in fund balances	<u>\$ 10,610,721</u>	<u>\$ 3,191,593</u>	<u>\$ (1,391,898)</u>	<u>\$ 1,632,911</u>	<u>\$ 762,533</u>
Debt Services as a percentage of noncapital expenditures	3.5%	2.7%	2.3%	1.8%	1.7%

Source: Northwest Regional ESD financial records

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	4,629,087	4,353,650	94.05	268,269	4,621,919	99.85
1999	4,957,423	4,637,339	93.54	216,498	4,853,837	97.91
2000	5,267,640	4,915,996	93.32	212,109	5,128,105	97.35
2001	5,648,018	5,301,446	93.86	184,711	5,486,157	97.13
2002	5,990,078	5,622,454	93.86	204,009	5,826,463	97.27
2003	6,390,277	6,006,912	94.00	216,293	6,223,205	97.39
2004	6,609,656	6,214,814	94.03	192,507	6,407,321	96.94
2005	6,862,558	6,471,216	94.30	218,702	6,689,918	97.48
2006	7,132,100	6,800,793	95.35	190,749	6,991,542	98.03
2007	7,654,506	7,271,834	95.00	163,387	7,435,221	97.14

Source: Washington, Tillamook, Clackamas and Columbia County Departments of Assessment and Taxation and Northwest Regional ESD financial records

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

PARTICIPATION IN PROGRAMS AND SERVICES
Last Eight Years

Fiscal Years	Special Students Services	Instructional Services	Technology Services	Other Support Services*	Total
1999-00	\$ 8,813,053	\$ 133,629	\$ 342,287	\$ 602,090	\$ 9,891,059
2000-01	11,417,745	805,348	551,012	308,198	13,082,303
2001-02	11,311,322	2,364,213	1,330,985	122,033	15,128,553
2002-03	11,044,196	849,049	1,080,083	227,975	13,201,303
2003-04	10,555,405	789,032	815,443	98,189	12,258,069
2004-05	10,690,294	934,372	924,869	275,067	12,824,602
2005-06	11,515,185	1,806,135	771,221	300,210	14,392,751
2006-07	14,231,788	2,182,112	1,145,764	468,293	18,027,957

Note: Information for fiscal year prior to 2000 are not available in detail.
Over time, ten fiscal years of data will be presented.

Source: Northwest Regional ESD Annual Reports

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

LICENSED, CLASSIFIED AND ADMINISTRATIVE EMPLOYEES
Last Ten Calendar Years

<u>Year</u>	<u>Licensed</u>	<u>Classified</u>	<u>Administration</u>	<u>Total</u>
1998	Not available	256	31	287
1999	197	257	41	495
2000	209	281	57	547
2001	216	313	46	575
2002	225	329	46	600
2003	181	290	39	510
2004	192	248	39	479
2005	202	258	39	499
2006	228	303	46	577
2007	226	313	48	587

Source: Northwest Regional ESD payroll records.

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

DEMOGRAPHIC AND ECONOMIC STATISTICS Last Ten Calendar Years

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
1998	83,000.0	2,326,656	28,032	3.9%
1999	86,000.0	2,458,654	28,589	3.8%
2000	89,000.0	2,600,135	29,215	4.0%
2001	92,000.0	2,920,816	31,748	3.1%
2002	94,000.0	2,921,268	31,077	5.1%
2003	107,000.0	N/A	N/A	6.7%
2004	109,000.0	N/A	N/A	6.8%
2005	111,180.0	3,891,300	35,000	7.5%
2006	125,000.0	4,168,750	33,350	7.5%
2007	137,500.0	4,252,125	30,925	4.8%

Notes:

1. For Washington County in its entirety.
2. Reported on a calendar year basis for Washington County
3. Estimated using per capita information and population.

Source: State of Oregon Employment Division

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

PRINCIPAL EMPLOYERS FOR THE PORTLAND METRO AREA
2007 and Ten Years Ago

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Ten Largest Employers						
Intel Corp.	16,740	1	1.62%	11,000	1	1.12%
Precision Castparts	15,384	2	1.49	-	0	0.00
Providence health System	14,639	3	1.42	8,938	3	0.91
Oregon Health & Science University	11,500	4	1.11	11,000	2	1.12
Fred Meyer Stores	8,500	5	0.82	8,905	4	0.91
Kaiser Permanente	8,221	6	0.80	7,663	5	0.78
Legacy Health Systems	8,196	7	0.79	6,731	6	0.69
Nike	7,648	8	0.74	-	0	0.00
Wells Fargo	4,873	9	0.47	-	0	0.00
Greenbier Cos. Inc.	3,972	10	0.38	-	0	0.00
US Bancorp				6,242	7	0.64
Freightliner Corp.				4,891	8	0.50
Tektronix Inc.				4,680	9	0.48
Safeway Inc., Portland Division				4,000	10	0.41
Subtotal of Ten Largest Employers	<u>99,673</u>		<u>9.64</u>	<u>74,050</u>		<u>7.56</u>
All Other Employers	<u>932,927</u>		<u>90.36</u>	<u>906,750</u>		<u>92.44</u>
Total Portland PMSA2 Employment	<u>1,032,600</u> ³		<u>100.00%</u>	<u>980,800</u>		<u>100.00%</u>

Source: Portland Business Alliance

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

PRINCIPAL PROPERTY TAX PAYERS FOR WASHINGTON COUNTY
Current Year and Nine Years Ago

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ten Largest Taxpayers						
Intel Corporation	\$1,043,164,799	1	11.39%	\$ 791,844,960	1	12.02%
Verizon Northwest, Inc.	352,920,852	2	3.85%			
Nike, Inc	333,402,234	3	3.64%			
Portland General Electric	317,363,394	4	3.47%	64,059,092	2	0.97%
Northwest Natural Gas Co.	262,931,030	5	2.87%	33,807,462	6	0.51%
Pacific Realty Associates	245,937,009	6	2.69%			
Maxim Integrated Products	152,395,039	7	1.66%			
Tektronix Inc	135,416,474	8	1.48%			
ERP Operating Systems	108,787,770	9	1.19%			
Novellus Systems	105,490,595	10	1.15%			
Sumitono Bank and Leasing				52,455,200	3	0.80%
Integrated Device Technology				50,544,800	4	0.77%
GIE Northwest				48,165,147	5	0.75%
Tokyo Electron Oregon				32,478,980	7	0.49%
NEC America				26,603,980	8	0.49%
Tansabourne Ltd Partners				26,603,980	9	0.40%
Bay 607 Corp				23,848,750	10	0.36%
Subtotal of Ten Largest Taxpayers	3,057,809,196		33.39%	1,150,412,351		13.50%
All Other Taxpayers	6,098,537,043			5,431,327,773		8245.27%
Total All Taxpayers	\$9,156,346,239			\$6,587,202,104		100.00%

Note: Represents Washington County only. Multnomah and Yamhill County portions of the District comprise less than .02% of the District's assessed value.
Records are only available for the past nine years.

Source: Hillsboro School District and Washington County Department of Assessment and Taxation.

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

ASSESSED VALUES OF TAXABLE PROPERTY WITHIN DISTRICT BOUNDARIES
Last Ten Fiscal Years

Market Value

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Real Property</u>	<u>Manufactured</u> <u>Property</u>	<u>Personal</u> <u>Property</u>	<u>Public Utility</u>
1998	\$ 5,986,571,698	\$ 72,602,021	\$ 358,171,169	\$ 169,857,216
1999	7,398,180,637	77,354,762	373,075,441	194,265,362
2000	7,904,232,582	88,740,466	354,386,836	222,999,133
2001	8,584,453,511	85,584,996	380,449,753	250,919,967
2002	10,639,614,593	74,370,422	393,699,811	313,680,138
2003	11,320,330,142	61,742,798	505,778,770	346,116,777
2004	14,625,590,941	56,343,418	513,363,728	334,868,331
2005	14,738,573,962	50,838,508	498,893,923	310,996,669
2006	15,692,590,790	44,565,453	608,210,530	309,515,561
2007	17,598,385,145	42,234,530	569,322,711	336,270,664

Note:

Represents Washington County only
of the District's assessed value.

Source: Washington County Department of Assessment and Taxation and Hillsboro School Districts

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

ASSESSED VALUES OF TAXABLE PROPERTY WITHIN DISTRICT BOUNDARIES - Continued
Last Ten Fiscal Years

Assessed Value (not including exempt property)

<u>Total Market Value</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Amount tax rate will raise</u>	<u>Less: Reduction and Adjustments</u>	<u>Total Taxes Imposed (Net Levy)</u>
\$6,587,202,104	\$ 5,033,000,834	5.77	\$29,040,415	\$1,408,062	\$30,448,477
8,042,876,202	5,591,257,557	6.99	39,082,890	(6,467,320)	32,615,570
8,570,359,017	5,935,686,735	6.99	41,490,450	(3,612,890)	37,877,560
9,301,408,227	6,942,553,084	7.10	49,292,127	(9,818,427)	39,473,700
11,421,364,964	7,480,035,078	8.34	62,383,493	(7,256,587)	55,126,906
12,233,968,487	8,185,621,736	6.79	55,580,372	628,960	56,209,332
15,530,166,418	8,244,000,065	6.67	54,987,480	514,510	55,501,990
15,599,303,062	8,482,860,603	6.71	56,919,995	721,284	57,641,279
16,654,882,334	8,842,271,844	6.59	58,270,571	400,466	58,671,037
18,546,213,050	9,156,346,239	6.52	59,699,377	223,867	59,923,244

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2007**

<u>Overlapping Issuer</u>	<u>Net Property-tax Backed Debt¹</u>	<u>Percent Overlapping</u>	<u>Overlapping Debt</u>
City of North Plains	\$ -	-	\$ -
City of Cornelius	240,318	32.69%	78,560
Washington County	9,251,352	21.74%	2,011,244
Portland Community College	6,122,454	9.65%	590,817
Tri-Met Transportation	4,673,969	6.78%	316,895
Metro	14,733,094	6.50%	957,651
Tualatin Valley Fire and Rescue	104,504	3.67%	3,835
Banks RFPD	38,297	2.75%	1,053
Tualatin Hills Park and Recreation Depar	345,184	2.08%	7,180
Forest Grove RFPD	2,204	0.89%	20
Chemeketa Community College	422	0.00%	-
Chehalem Park and Rec District	157	0.01%	-
Multnomah County	367	0.00%	-
Subtotal, overlapping debt			<u>\$ 3,967,255</u>
Direct District net property-tax backed debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 3,967,255</u></u>

Source: Oregon State Treasury, Debt Management Division



Single Audit Section



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NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

**Schedule of Federal Awards
Year Ended June 30, 2007**

Federal Grantor	Program Title	Grant Period	CFDA Number	Grant Amount	2006-07 Revenues	2006-07 Expenditures
Pass through Grantor						

U.S. Department of Education - Special Revenue Fund:

Passed through Oregon State Department of Education:

Title IIB Eisenhower Grant	2004-05	84.366B	\$126,191	\$50,183	\$50,183
	2005-06	84.366B	\$177,000	\$68,741	\$68,741
	Total		\$303,191	\$118,924	\$118,924
Title III	2005-06	84.365	\$74,586	\$62,870	\$62,870
	2006-07	84.365	\$85,680	\$41,051	\$41,051
	Total		\$160,266	\$103,921	\$103,921
Title IA/D	2006-07	84.010	\$3,000	\$3,000	\$3,000
	Total		\$3,000	\$3,000	\$3,000
Regional Capacity Grants- Professional Development	2005-06	84.048A	\$6,671	\$3,840	\$3,840
Carl Perkins II	2006-07	84.243A	\$15,000	\$15,000	\$15,000
Tech Prep Education	2005-06	84.243A	\$75,030	\$28,772	\$28,772
	2006-07	84.243A	\$54,854	\$40,895	\$40,895
	Total		\$129,884	\$69,667	\$69,667
YTP Visually Impaired	2006-07	84.323	\$50,000	\$26,632	\$26,632
Title IC, Migrant Education	2005-06	84.011	\$36,749	\$12,911	\$12,911
	2006-07	84.011	\$121,500	\$72,752	\$72,752
	Total		\$158,249	\$85,663	\$85,663
Oregon Deaf and Blind Project	2005-06	84.326C	\$2,735	\$2,735	\$2,735
State Improvement ESD Assessment Support	2006-07	94.004	\$58,190	\$54,689	\$54,689
Learn and Serve America	2005-06	94.004	\$17,000	\$940	\$940

Total U.S. Department of Education

\$904,186 \$485,011 \$485,011

Direct Federal Grants

Improve Mental Health in Children	2006-07	84.215M	\$350,000	\$43,814	\$43,814
Title VII Indian Education	2005-06	84.060	\$86,408	\$20,278	\$20,278
	2006-07	84.060	\$118,675	\$110,350	\$110,350
	Total		\$205,083	\$130,628	\$130,628

Total Special Revenue Funds

\$1,459,269 \$659,453 \$659,453

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

**Schedule of Federal Awards - Continued
Year Ended June 30, 2007**

Federal Grantor	Program Title	Grant Period	CFDA Number	Grant Amount	2006-07 Revenues	2006-07 Expenditures
Pass through Grantor						
<u>U.S. Department of Agriculture - Special Revenue Fund:</u>						
Passed through Oregon State Department of Education:						
	National School Lunch	2006-07	10.555	\$14,971	\$14,971	\$14,971
	National School Breakfast	2006-07	10.553	\$5,519	\$5,519	\$5,519
	Commodities	2006-07	10.550	\$5,228	\$5,228	\$5,228
			Total	\$25,718	\$25,718	\$25,718
<u>Contracts with State</u>						
	Low Incidence Regional Programs	2005-07	84.027A	\$4,731,670		
	Preschool Grants		84.173		\$110,145	\$110,145
	Early Intervention		84.181		\$383,822	\$383,822
	Low Incidence Regional Programs	2005-07	84.027	\$3,963,618	\$3,245,217	\$3,245,217
	Long-term Care and Treatment	2005-07	84.013	\$999,940	\$75,718	\$75,718
	Youth Transition Program	2005-07	84.126	\$84,857	\$84,857	\$84,857
			Total	\$9,780,085	\$3,899,759	\$3,899,759
	Total Federal Financial Assistance			\$11,265,072	\$4,584,930	\$4,584,930

(1) Major Programs



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

November 27, 2007

To the Board of Directors
Northwest Regional Education Service District
Washington County, Oregon

Independent Auditors' 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*

We have audited the financial statements of Northwest Regional Education Service District as of and for the year ended June 30, 2007, and have issued our report thereon dated November 27, 2007. 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 Northwest Regional Education Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

November 27, 2007

To the Board of Directors
Northwest Regional Education Service District
Washington County, Oregon

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Northwest Regional Education Service District 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, 2007. Northwest Regional Education Service District'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 Northwest Regional Education Service District's management. Our responsibility is to express an opinion on Northwest Regional Education Service District'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 District'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 of Northwest Regional Education Service District's compliance with those requirements.

In our opinion, Northwest Regional Education Service District 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, 2007.

Internal Control Over Compliance

The management of Northwest Regional Education Service District 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 Northwest Regional Education Service District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies, as defined above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, *the Board*, others within the entity, 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.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.



**Audit Comments
/Disclosures**



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NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT
WASHINGTON COUNTY, OREGON

SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS
AND QUESTIONED COSTS RELATIVE TO FEDERAL AWARDS

For the Year Ended June 30, 2007

CURRENT YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

None

PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

None

CURRENT YEAR AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS:

Unqualified Opinion

CURRENT YEAR NONCOMPLIANCE, AUDIT FINDINGS AND QUESTIONED COSTS:

None

CURRENT YEAR AUDITORS' REPORT ON COMPLIANCE FOR MAJOR PROGRAMS:

Unqualified Opinion

MAJOR PROGRAMS FOR THE YEAR ENDED JUNE 30, 2007:

Early Intervention – CFDA # 84.181
Low Incidence – CFDA # 84.027

DOLLAR THRESHOLD FOR DISTINGUISHING BETWEEN TYPE A AND B PROGRAMS:

\$300,000

LOW-RISK AUDIT QUALIFICATION:

The District qualifies as a low-risk auditee under section .530 of the OMB Circular A-133.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northwest Regional Education Service District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

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

November 27, 2007

AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000 of the Minimum Standards for Audits of Oregon Municipal Corporations, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows.

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of Northwest Regional Education Service District, Washington County, Oregon, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 27, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of Northwest Regional Education Service District, Washington County, Oregon, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements Northwest Regional Education Service District, Washington County, Oregon, for the year ended June 30, 2006, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

A control in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

We noted no matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants.

A material weakness is a significant deficiency in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a significant deficiency and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above.

These factors were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the 2007 Basic financial statements, and this report does not affect our report on the Basic financial statements dated November 27, 2007.

This report is intended solely for the information and use of the board, management, 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.

ACCOUNTING RECORDS

The accounting records are adequate for audit.

BUDGET TRANSACTIONS

Expenditures of the various funds were within authorized appropriations except as noted on page 27.

2006-2007 and 2007-2008 BUDGETS

The budgets adopted for the current and ensuing fiscal year were reviewed during the audit. Based on testing, it was determined that budget preparation and adoption procedures followed complied with the Oregon Local Budget law.

COLLATERAL SECURING BANK DEPOSITS

Collateral pledged by the depositories appeared adequate at all times during the year to meet requirements of Oregon Law. Each depository is required by ORS Chapter 295 to maintain securities having a value of not less than 25% of the face amount of the collateral certificate issued by the pool manager, for funds deposited in the depository in excess of the amounts insured by the Federal Deposit Insurance Corporation. Deposits in the State Local Government Investment Pool are not required to be collateralized.

INVESTMENTS

Investments for the year ending June 30, 2007, were reviewed and based on our testing, appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

Procedures for awarding public contracts were reviewed and appeared to be in compliance with ORS Chapter 279 during 2006-2007.

INSURANCE AND FIDELITY BONDS

Details concerning insurance and fidelity bond coverage were reviewed during the audit. The coverage provided appears to meet legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

STATUTORY BONDED DEBT LIMITATION

Bonded debt outstanding was within the provisions of ORS 552.645.

OUTSTANDING WARRANTS

There were no outstanding endorsed warrants at June 30, 2007.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. Our reports concerning grant compliance and a schedule of federal assistance are contained in this report in the grant compliance review section.

STATE HIGHWAY

No State Highway Funds were received during the year ended June 30, 2007.

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