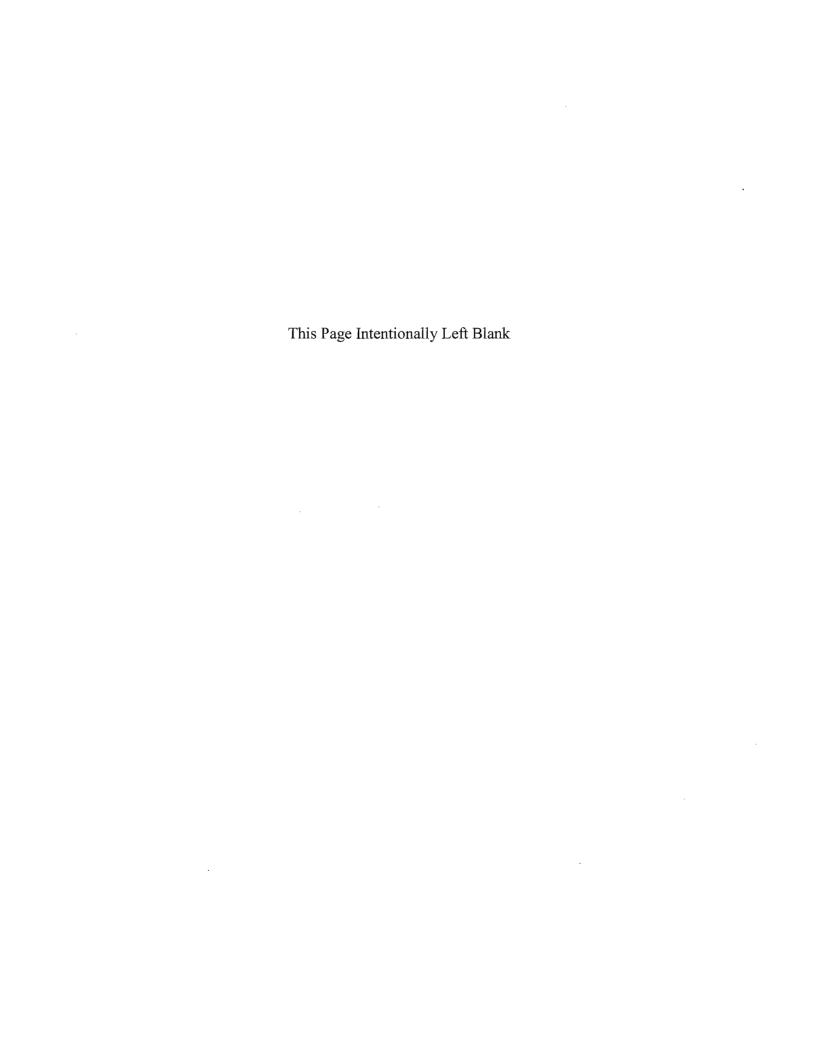
Comprehensive Annual Financial Report

For the Year Ended June 30, 2007

Clackamas County, Oregon

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2007



West Linn-Wilsonville School District 3J Clackamas County, Oregon

Administration Building PO Box 35 West Linn, Oregon 97068

Dr. Roger L. Woehl Dr. Jane M. Stickney Dr. Thayne E. Balzer R. William Knowles Superintendent
Assistant Superintendent
Assistant Superintendent
Business Manager

BOARD OF DIRECTORS AS OF JUNE 30, 2007

Mary Furrow, Board Chair	Term Expires June 30, 2011
Dale Hoogestraat, Vice Chair	June 30, 2009
Tom Bruggere	June 30, 2009
Pat Hanlin	June 30, 2007
David Goode	June 30, 2009

All board members receive mail at the address above.

Legal and Bond Counsel

Mersereau & Shannon 1600 Benjamin Franklin Plaza One S.W. Columbia Street Portland, Oregon 97258

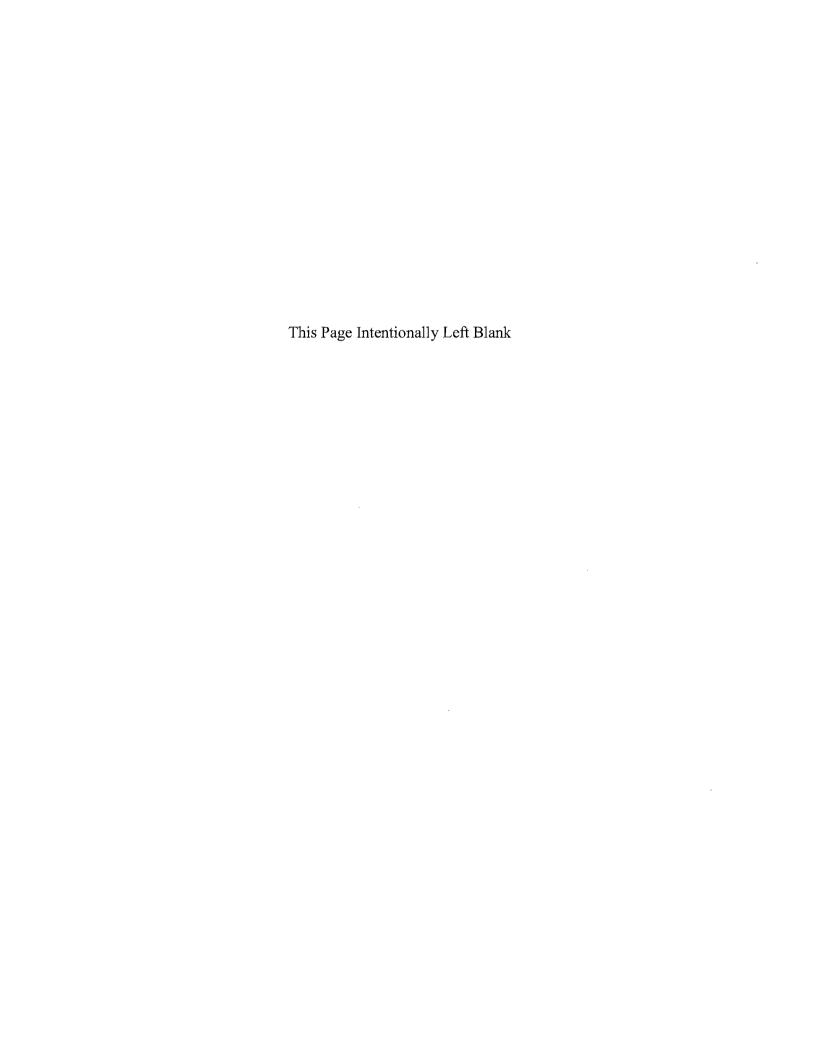


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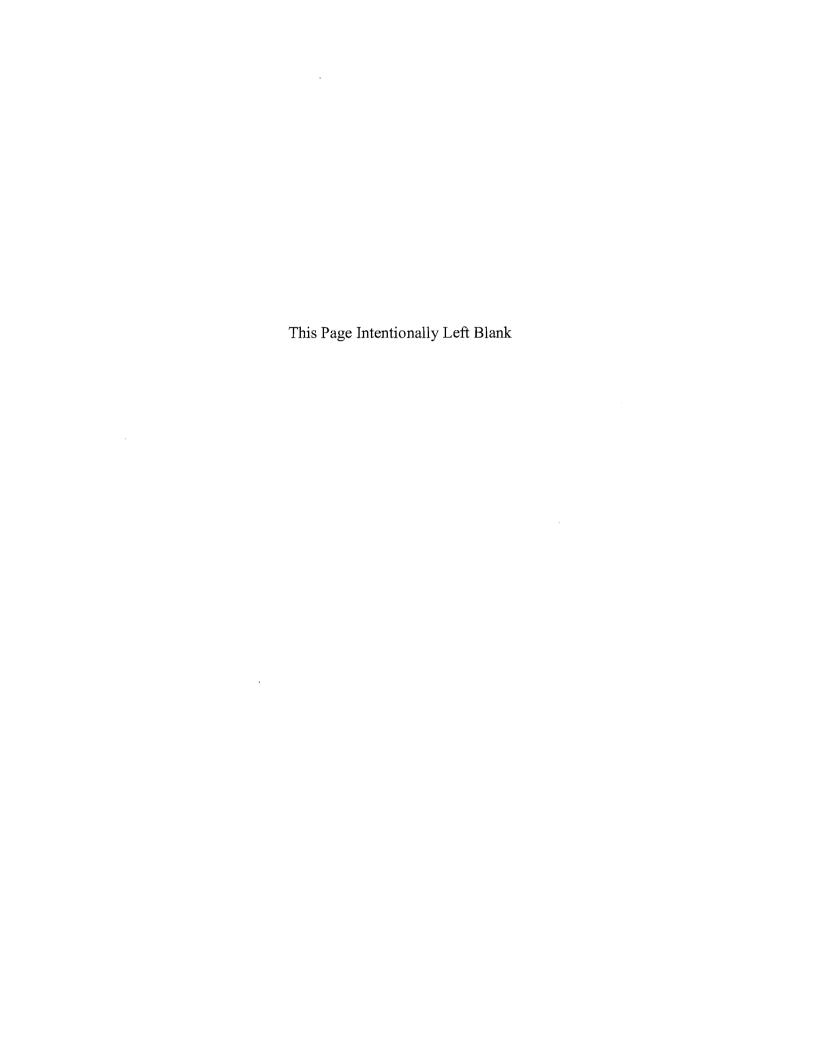
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Introductory Section





West Linn-Wilsonville School District 3TT

ADMINISTRATION BUILDING

P.O. Box 35 · West Linn, Oregon 97068 · 503-673-7000 or Fax 503-673-7001

December 29, 2007

Board of Directors West Linn-Wilsonville School District 3J PO Box 35 West Linn, OR 97068

In accordance with the provisions of Oregon Revised Statutes Sections 297.405 through 297.555, known as Municipal Audit Law, submitted herewith is the Comprehensive Annual Financial Report (CAFR) of West Linn-Wilsonville School District 3J, Clackamas and Washington counties, Oregon for the year ended June 30, 2007.

This report was prepared by the Business Office of West Linn-Wilsonville School District 3J. The responsibility for the completeness, fairness, and accuracy of the data presented and all accompanying disclosures rests with the District. To provide a reasonable basis for making these representations, the District's management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America (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 that 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.

The District's financial statements have been audited by Pauly, Rogers and Co., P.C. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal control and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Single Audit Section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the

basis financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

THE DISTRICT

The District is a municipal corporation governed by an elected five-member board. As required by generally accepted accounting principles, these financial statements present West Linn-Wilsonville School District No. 3J (the primary government) and any component units. Component units, as established by GASB statement 14, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. Three Rivers and Art Tech Charter Schools are component units of the West Linn-Wilsonville School District.

Under Oregon State law the District is responsible for educating the children of the District. The District discharges this responsibility by building, operating, and maintaining school facilities; developing and maintaining approved educational programs and courses of study, including vocational programs and programs for handicapped students, in accordance with State standards; and carrying out programs for transportation and feeding of pupils in accordance with District, State, and Federal requirements.

The District is located seven miles south of the City of Portland, Oregon. Within the District's 42 square miles are the cities of West Linn and Wilsonville, as well as several unincorporated towns and areas of Clackamas and Washington Counties. The District was originally formed in 1933 through the consolidation of three smaller districts.

The District and surrounding communities have experienced steady constant growth over the past 2-1/2 decades. The estimated population of the District has grown from 16,876 in 1980 to 41,065 in 2007. District student membership as of June 30, 2007 was 7,990, which compares to 3,277 in fiscal year 1980. The real market value of property located in the district has grown from just under \$285 million to over \$7.5 billion in the same period.

The early economy of this area grew as a result of fertile agricultural and timberlands and its access to the Willamette and Columbia rivers. The area then began developing as a suburb of Portland, but over the past two decades has developed its own economic base which includes high technology firms and retail trade and distribution. Despite its rapid development, however, the County still contains prime agricultural land and a strong agricultural economy.

Interstate Highway 5, which runs through southwestern Clackamas County, has proven to be a major economic stimulus. The area between Wilsonville and Lake Oswego has seen greatly increased commercial and retail activity.

To the south, in the Wilsonville area, the close proximity of I-5 has encouraged warehousing and distribution activities, which require area for expansion and easy transportation connections. Retail stores have become more prominent in the area.

Easy access to the freeway system has also benefited those areas along Interstate Highway 205, which bisects the County and the District. This bypass link of I-5 runs between Wilsonville in the south and Clark County, Washington to the north. I-205 also connects Clackamas County to Portland International Airport. Most of the segments through Clackamas County were completed during the mid-1970s. At that time major retail and commercial developments occurred in the areas bordering the freeway.

ECONOMIC CONDITION

In November, 1996, the voters of the State of Oregon voted by referendum a property tax limitation measure known as "Measure 47." This measure as amended by Measure 50 along with Measure 5, which was approved in November 1990, provides two property tax limitations in the Oregon Constitution. Measure 5 limits the property tax rate to \$5 per \$1,000 in real market value for schools; Measure 50 is a limitation that is based on the assessed value of each parcel of property. Measure 50 was initiated in 1997 by "cutting" the tax on each property to the lesser of the 1996 total property tax reduced by 10% or the 1995 total property tax for schools. Measure 50 also "caps" total operating taxes on each property to a 3% annual increase. Neither of these constitutional measures limits taxes for capital construction bonds.

Legislation passed subsequent to Measure 50 allows school districts to refer to voters a "local option" tax. This tax can be levied for up to five years for operation purposes. The tax cannot collect more than the \$5.00 per thousand of real market value allowed under measure 5 from any property in the school district. On May 16, 2000, voters of the West Linn-Wilsonville School District passed a local option tax. This five-year taxing authority commenced during the 2000-01 fiscal year and ended June 30, 2005. On November 2, 2004 57% of district voters approved another Local Option Tax Levy at the same \$1.50 per thousand assessed value rate that passed May 16, 2000. This taxing authority begins with fiscal 2005-06 and runs through fiscal 2009-10. The average "Local Option" taxpayer burden during 2006-07 was \$1.33 per thousand assessed value.

In response to the rate limitation of Measure 5, the state legislature employs a funding formula which equalizes the annual revenues to each school district based on a per pupil allocation. Excluding local option taxes, individual school districts are only indirectly dependent upon local property taxes for operating purposes.

In recent years Oregon has experienced one of the highest unemployment rates in the nation. The most recent rate of 4.6% is more in line with the national average.

It is believed that Oregon's economy will begin to experience steady growth in the 2007-09 biennium. Oregon's current personal income-reliant revenue base will continue to have the stability and adequacy shortcomings it has experienced. There is concern that the taxation base is not broad enough to raise the revenues needed for public education and other needed services the state must provide.

MAJOR PROGRAMS

The mission of the West Linn-Wilsonville School District is constantly to improve the learning environment in order to develop and nurture each student's potential for life-long intellectual and cultural growth. The district measures its success almost exclusively by the level of student learning and achievement.

Launching a new superintendency, and in response to local, state and national mandates for school improvement, including the Oregon Educational Act for the 21st Century, the school district held two Futures Conferences in the spring of 1994. These major events, preceded by a year of planning, were a part of our strategic planning to move West Linn-Wilsonville Schools into the 21st century. The Futures Conferences sought common ground through dialogue using the Marvin Weisborg conference model. Participants painted broad strokes of consensus about the qualities this community would like its school district to exemplify in the future. One hundred fifty students, teachers, administrators, parents, and members from all sectors of the community spent two-and-a-half rigorous days at each conference.

The six vision themes from these Futures Conferences presented the community and schools with an inviting picture of possibility and launched the district on a challenging and rewarding journey. These themes arch over and create lines through every dimension of the work of this school district. These vision themes guide the work of school board members, teachers, site councils, administrators, children, school support staff and, to an increasing degree, community members in ways that are both global and specific.

The work of this school district is to enliven and make real these vision themes:

Personal and Academic Excellence, Personalized Education, Circle of Support, Community Partnerships,
Educating the Whole Child, Integrating Technologies in Daily Learning.

Staff development and in-service training continue to be a major focus and emphasis in the district. We are committed to the strategy of improving the skills and training of our staff in order to deliver more effective services to students and parents. The district continues to make major investments in staff training and development.

November 5, 2002 voters authorized the sale of \$75 million in general obligation debt. This bond issue was sold June 17, 2003. Most of the bond proceeds were reserved for construction projects while \$3.1 million was used to retire the 2000 Full Faith issue. Construction projects included major upgrades to both Wilsonville and West Linn High Schools, as well as smaller projects at the primary and middle schools in the district. All capital projects funded out of the June 2003 issue were complete as of June 30, 2007.

FINANCIAL INFORMATION

Cash Management

The Business Office maintains an aggressive cash management program with a philosophy of maximizing the yield while safeguarding the investment principal. All cash temporarily idle during the year is invested in direct obligations of the Treasury of The United States, commercial bank certificates of deposit, bankers' acceptances and the Oregon State Treasurer's Short-Term Investment Fund. This state operated short-term investment fund maintains an average maturity of 90 days.

Interest earnings for the year ended June 30, 2007 were \$1,171,599 up \$246,781 from the previous year. The increase in interest income reflected higher rates on cash balances.

While there is no formally adopted investment policy, the Board of Directors does adopt a resolution at the beginning of each year designating the approved Depositories. Allowable investment instruments include only those allowed governmental units under Oregon Statute. Additional discussion of the District's cash management and investments is contained in the Notes To The Financial Statements, and in the section titled "Audit Comments and Disclosures Required by State Regulations".

The District has complied with the disclosure requirements of Governmental Accounting Standards Board Statement 3 regarding Deposits with Financial Institutions and Investments as set forth Note 2 to the Basic Financial Statements.

While there is no formally adopted investment policy, the Board of Directors does adopt a resolution at the beginning of each year designating the approved Depositories. Allowable investment instruments include only those allowed governmental units under Oregon Statute. Additional discussion of the District's cash management and investments is contained in the Notes To The Financial Statements, and in the section titled "Audit Comments and Disclosures Required by State Regulations".

Risk Management

The District to date has elected to transfer risk other than that represented by minimal deductible amounts per loss by purchasing insurance. Worker's Compensation insurance is purchased on a fiscal year basis. The district currently enjoys a favorable workers comp modification rate. Property/Casualty insurance is currently in force at replacement value with a \$100,000 per loss deductible. Comprehensive General Liability insurance provides \$5,000,000 Basic coverage. Comprehensive Automotive liability insurance provides \$1,000,000 Basic coverage. Excess insurance over the Basic coverage is in force at \$5,000,000. The district is also covered against earthquake and flood damage with an amount currently in force of \$5,000,000 subject to a 5% deductible per loss.

Pension and Other Post Employment Benefits. The District contributes to the Oregon Public Employees Retirement Fund, a 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.

In addition, the District provides early retirement and post employment health care benefits for certain retirees. As of the end of the current fiscal year, there were 76 retired employees receiving these benefits. The District fully funds each year's annual required contribution to the early retirement plan. The District finances the post employment health care benefits on a pay-as-you-go basis. GAAP requires that as of June 30, 2008 the school district report a liability in the financial statements in connection with the district's obligation to provide these benefits.

Additional information on the District's pension arrangements and post employment benefits can be found in the notes to the basic financial statements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the West Linn-Wilsonville School District for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the fourteenth consecutive year that the district has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

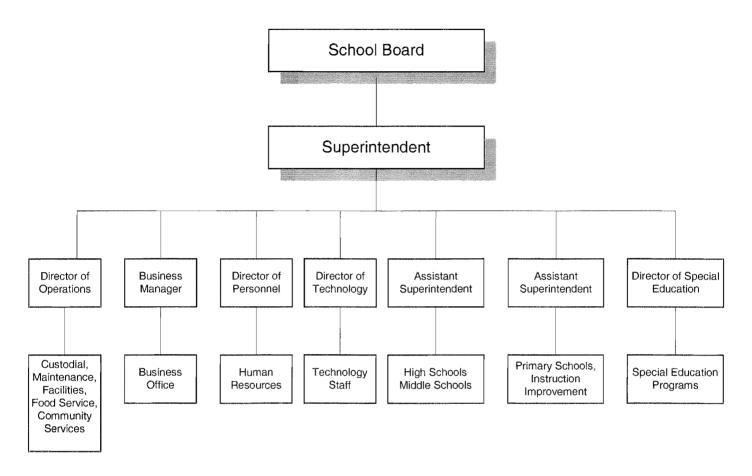
We wish to express our appreciation to the staff of the Business Office and members of other District departments who assisted in the preparation of this Comprehensive Annual Financial Report. We also wish to extend our appreciation to the members of the Board of Education, administrators, employees, and citizens of the district whose continued cooperation, support, and assistance have contributed greatly to the financial stability of the West Linn-Wilsonville School District.

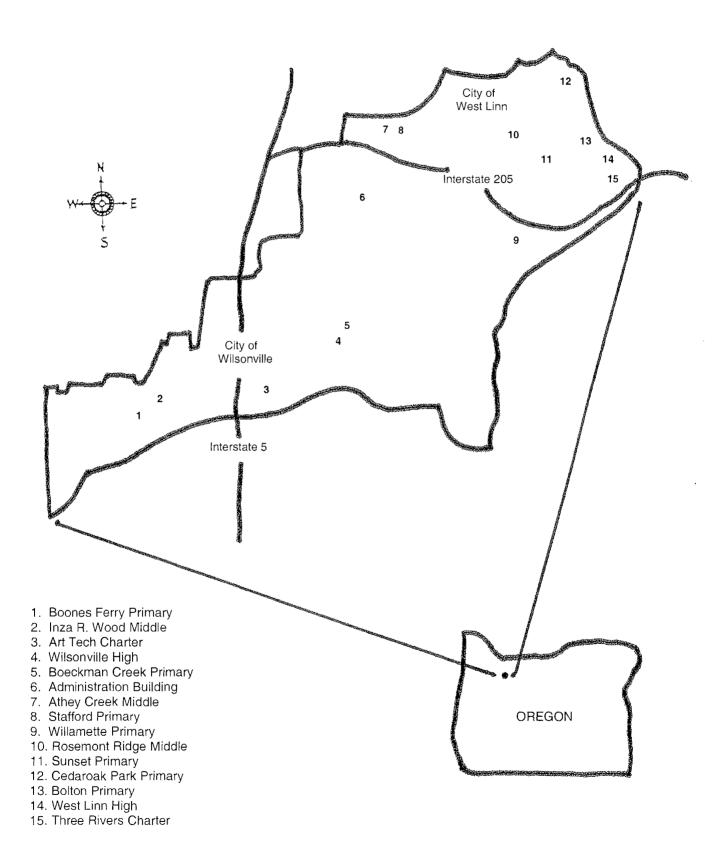
Respectfully submitted,

Roger L. Woehl, Superintendent

R. William Knowles, Business Manager

West Linn-Wilsonville School District 3JT Organization Chart





Certificate of Achievement for Excellence in Financial Reporting

Presented to

West Linn-Wilsonville School District No. 3J, Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Pre S. Cox

Executive Director

Financial Section



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

December 28, 2007

To the Board of Directors
West Linn-Wilsonville School District 3J
Clackamas County, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the basic financial statements of the West Linn-Wilsonville School District 3J, Clackamas 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 Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. 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 assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic 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 West Linn-Wilsonville School District 3J, Clackamas County, Oregon, at June 30, 2007 and the changes in net assets, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 28, 2007, on our consideration of West Linn-Wilsonville School 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 the West Linn-Wilsonville School 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, Audits 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 Schedule of Revenues by Function, Schedule of Expenditures by Function/Object – General Fund and Supplemental Information, as listed in the table of contents, are presented for purposes of additional analysis as required by Oregon Department of Education, however, we did not audit the information and express no opinion on it.

taly Zoges and Co. P.C. PAULY, ROGERS AND CO., P.C.

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

As management of West Linn-Wilsonville School District 3J (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 \$39,573,503.
- The District's governmental funds report combined ending fund balance of \$5,734,837.
- The District's net assets increased by \$5,112,155.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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. The *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 one category:

 Governmental activities. Most of the District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues. **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 West Linn-Wilsonville School District, 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 two categories: governmental 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 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.

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 4 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Debt Service, and Capital Projects Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided as Supplemental Information.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is the same as the government-wide financial statements, only in more detail.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's progress in funding its obligation to provide pension benefits to its employees

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A comparative analysis discussing and analyzing significant differences is provided below.

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 \$39,573,503 at June 30, 2007.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 76 percent of total assets. The remaining assets consist mainly of investments and cash, grants, and property taxes receivable.

The District's largest liability is for the repayment of general obligation bonds. Current liabilities, representing about 6 percent of the District's total liabilities, consist almost entirely of payables on accounts, payroll withholdings, and the current portion of long-term debt.

Net Assets of the District were comprised of the following:

	June 30, 2007		June 30, 2006		Change		
Current and Other Assets	\$	54,020,714	\$	49,996,892	\$	4,023,822	
Capital Assets		167,796,816	,	171,507,759		(3,710,943)	
Total Assets		221,817,530		221,504,651		312,879	
Current Liabilities		12,122,461		6,935,527		5,186,934	
Long-Term Liabilities		170,434,985		180,107,776		(9,672,791)	
Total Liabilities		182,557,446		187,043,303		(4,485,857)	
Net Assets:							
Invested in Capital Assets, net of related debt		62,515,794		65,166,761		(2,650,967)	
Restricted for Debt Service		3,324,655		2,954,391		370,264	
Unrestricted		(26,266,946)		(33,659,804)		7,392,858	
Total Net Assets	\$	39,573,503	\$	34,461,348	\$	5,112,155	

Governmental activities. A comparative analysis discussing and analyzing significant differences from the prior year to the current year is provided below. During the current fiscal year, the District's net assets increased by \$5,112,155, including a prior period adjustment.

The Changes in Net Assets for the District were as follows:

	June 30, 2007		Jı	une 30, 2006	Change		
REVENUES:							
Program Revenues							
Charges for Services	\$	2,942,968	\$	2,795,934	\$	147,034	
Operating Grants and Contributions		3,314,862		3,069,900		244,962	
General Revenues							
Property Taxes		41,982,666		38,622,717		3,359,949	
State School Fund - General Support		31,341,677		28,111,908		3,229,769	
Earnings on Investments		1,171,599		924,818		246,781	
Other Federal, State and Local Sources		4,529,860		4,813,585		(283,725)	
Total Revenues		85,283,632		78,338,862		6,944,770	
EXPENSES							
Instruction		44,209,456		38,347,498		5,861,958	
Support Services		25,283,384		21,962,806		3,320,578	
Enterprise and Community Services		2,419,485		2,045,144		374,341	
Interest on Long-Term Debt		8,259,152		8,315,888		(56,736)	
Total Expenses		80,171,477		70,671,336		9,500,141	
Change in Net Assets		5,112,155		7,667,526		(2,555,371)	
Prior Period Adjustment		-		2,538,108		(2,538,108)	
Beginning Net Assets		34,461,348	,	24,255,714		10,205,634	
Ending Net Assets	\$	39,573,503	\$	34,461,348	\$	5,112,155	

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 resource's 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 \$5,734,837, an increase of \$602,514 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 \$1,743,775. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents about 25 percent of total General Fund expenditures.

The fund balance increased by \$944,398 during the current fiscal year. This increase was attributable to additional Local Option Tax revenue and fewer expenditures than anticipated

Debt Service Fund. As of June 30, 2007 the ending fund balance is \$3,324,655, a increase of \$370,264 as compared to prior year. This balance is consistent with what is required to service general obligation debt between July 1, 2007 and late November 2007 when taxes are received from the treasurers of both Clackamas and Washington Counties.

Capital Projects Fund. The Capital Projects Fund has a total fund balance \$679,273, which is designated for capital needs, specifically funding for portable classrooms at specific schools, as authorized by District voters in the November 2002 election. The fund balance decreased by \$475,899 during the current fiscal year. This decrease was attributable to expenditures for ongoing capital projects. The decrease in ending fund balance is budgeted in fiscal 2007-08.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were higher than budgeted in the General fund due to the local option levy taxes, and expenditures were lower than budgeted in total due to an effort to reduce spending.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2007, the District had invested \$167,796,816 in capital assets, net of depreciation.

Additional information of the District's capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$170,434,985. Please refer to the notes to the financial statements for more information.

Additional information on the District's long-term debt can be found in notes to the financial statements on pages 26-27.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2007-08 budget was built on state revenue assumptions that appear to be holding steady for this the first year of the legislative biennium.

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 Finance Officer at 22210 SW Stafford Road, West Linn, Oregon 97068.

STATEMENT OF NET ASSETS JUNE 30, 2007

ASSETS: Charter School Charter School		
Cash and Investments \$ 14,010,497 \$ 339,444 \$ Property Taxes Receivable 1,719,632 - Other Receivables 2,821,970 - Due from School District - - Supply Inventory 83,708 - Prepaid Expenses 66,402 13,873 Prepaid Pension Asset 33,963,519 - Bond Issue Costs 1,354,986 - Non-Depreciable Capital Assets 8,245,717 - Capital Assets, Net of Depreciation: 159,551,099 53,119 TOTAL ASSETS Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700	Art Tech Charter School	
Property Taxes Receivable 1,719,632 - Other Receivables 2,821,970 - Due from School District - - Supply Inventory 83,708 - Prepaid Expenses 66,402 13,873 Prepaid Pension Asset 33,963,519 - Bond Issue Costs 1,354,986 - Non-Depreciable Capital Assets 8,245,717 - Capital Assets, Net of Depreciation: 159,551,099 53,119 TOTAL ASSETS 221,817,530 406,436 LIABILITIES: Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700		
Other Receivables 2,821,970 - Due from School District - - Supply Inventory 83,708 - Prepaid Expenses 66,402 13,873 Prepaid Pension Asset 33,963,519 - Bond Issue Costs 1,354,986 - Non-Depreciable Capital Assets 8,245,717 - Capital Assets, Net of Depreciation: 159,551,099 53,119 TOTAL ASSETS LIABILITIES: 221,817,530 406,436 LIABILITIES: 4,762,302 12,660 Accrued Salaries and Benefits 4,762,302 3,700	-	
Due from School District - - Supply Inventory 83,708 - Prepaid Expenses 66,402 13,873 Prepaid Pension Asset 33,963,519 - Bond Issue Costs 1,354,986 - Non-Depreciable Capital Assets 8,245,717 - Capital Assets, Net of Depreciation: 159,551,099 53,119 TOTAL ASSETS LIABILITIES: Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700	-	
Supply Inventory 83,708 - Prepaid Expenses 66,402 13,873 Prepaid Pension Asset 33,963,519 - Bond Issue Costs 1,354,986 - Non-Depreciable Capital Assets 8,245,717 - Capital Assets, Net of Depreciation: 159,551,099 53,119 TOTAL ASSETS LIABILITIES: Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700	5,437	
Prepaid Expenses 66,402 13,873 Prepaid Pension Asset 33,963,519 - Bond Issue Costs 1,354,986 - Non-Depreciable Capital Assets 8,245,717 - Capital Assets, Net of Depreciation: 159,551,099 53,119 TOTAL ASSETS LIABILITIES: 221,817,530 406,436 Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700	26,991	
Prepaid Pension Asset 33,963,519 - Bond Issue Costs 1,354,986 - Non-Depreciable Capital Assets 8,245,717 - Capital Assets, Net of Depreciation: 159,551,099 53,119 TOTAL ASSETS LIABILITIES: 221,817,530 406,436 Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700	-	
Bond Issue Costs 1,354,986 - Non-Depreciable Capital Assets 8,245,717 - Capital Assets, Net of Depreciation: 159,551,099 53,119 TOTAL ASSETS 221,817,530 406,436 LIABILITIES: Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700	-	
Non-Depreciable Capital Assets 8,245,717 - Capital Assets, Net of Depreciation: 159,551,099 53,119 TOTAL ASSETS 221,817,530 406,436 LIABILITIES: Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700	-	
Capital Assets, Net of Depreciation: 159,551,099 53,119 TOTAL ASSETS 221,817,530 406,436 LIABILITIES: 200,000 1,936,002 12,660 Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700	-	
TOTAL ASSETS 221,817,530 406,436 LIABILITIES: 3,936,002 12,660 Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700	-	
LIABILITIES: Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700	-	
Accounts Payable 1,936,002 12,660 Accrued Salaries and Benefits 4,762,302 3,700	32,428	
Accrued Salaries and Benefits 4,762,302 3,700		
Accrued Salaries and Benefits 4,762,302 3,700	-	
	26,431	
Due to Charter School 26,991 -	· -	
Unearned Revenue 244,691 -	-	
Accrued Compensated Absences Payable 131,449 -	-	
Accrued Interest 457,607 -	_	
Tax Anticipation Note Payable 4,250,000 -	_	
Long-Term Liabilites:		
Portion Due or Payable Within One Year: 10,853,536	_	
Portion Due or Payable After One Year: 159,581,449 -	-	
TOTAL LIABILITIES 182,244,027 16,360	26,431	
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt 40,223,047 53,119	-	
Restricted for:		
Debt Service 3,324,655 -	_	
Unrestricted (3,974,199) 336,957	5,997	
TOTAL NET ASSETS \$ 39,573,503 \$ 390,076 \$	5,997	

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2007

		Program	Revenues		Compon	ent Units
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Assets	Three Rivers Charter School	Art Tech Charter School
Governmental Activities: Instruction Support Enterprise and Community Services Interest on Long-Term Debt	\$ 44,209,456 25,283,384 2,419,485 8,259,152	\$ 1,726,642 - 1,216,326 -	\$ 1,850,867 833,511 630,484	\$ (40,631,947) (24,449,873) (572,675) (8,259,152)	\$ (433,180) (245,964) - -	\$ 476,949 13,508 - -
Total Governmental Activities	\$ 80,171,477	\$ 2,942,968	\$ 3,314,862	(73,913,647)	(679,144)	490,457
Component Unit Three Rivers Charter School	\$ 789,537	23,610	\$ 86,783		(679,144)	
Art Tech Charter School	\$ 490,457	-	\$ -			(490,457)
	General revenu Property Taxes Local Option T State School F Unrestricted Earnings on In	s ax und - General Supp	port	41,982,666 - 31,341,677 3,779,860 1,171,599 750,000	79,816 451,440 - 3,701 354,192	- - 474,080 - - - 16,412
	Total general re	evenues		79,025,802	889,149	490,492
	CHANGE IN NI	ET ASSETS		5,112,155	210,005	35
	Net Assets - Ju	y 1, 2006		34,461,348	180,071	5,962
	Net Assets - Jul	ne 30, 2007		\$ 39,573,503	\$ 390,076	\$ 5,997

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

	General Fund		Debt Service Fund	 Capital Projects Fund	 Special Revenue Funds	 Total
ASSETS Cash and Investments Due From Other Funds Property Taxes Receivable Other Receivables Supply Inventory Prepaid Expenditures	\$ 10,374,608 424,194 1,154,923 1,743,030 53,407 66,402	\$	2,954,673 319,447 564,709 - -	\$ 681,216 - - - - -	\$ - 48,422 - 1,078,940 30,301 -	\$ 14,010,497 792,063 1,719,632 2,821,970 83,708 66,402
TOTAL ASSETS	\$ 13,816,564	\$	3,838,829	\$ 681,216	\$ 1,157,663	\$ 19,494,272
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable Accrued Salaries and Benefits Due To Other Funds Due To Charter School Tax Anticipation Note Payable Deferred Taxes Other Deferred Revenue	\$ 2,053,709 4,405,481 - - 4,250,000 1,052,506 244,691	\$	- - - - - 514,174	\$ - - 1,943 - - - -	\$ 63,000 356,821 790,120 26,990 - - -	\$ 2,116,709 4,762,302 792,063 26,990 4,250,000 1,566,680 244,691
TOTAL LIABILITIES	 12,006,387		514,174	 1,943	 1,236,931	 13,759,435
Fund Balances: Reserved for: Debt Service Fund Prepaid Expenditures Unreserved, designated for, reported in:	- 66,402		3,324,655 -	-	- -	3,324,655 66,402
Capital Projects Fund	-		-	679,273	-	679,273
Unreserved, undesignated reported in: General Fund Special Revenue Funds	 1,743,775	***	- -	 - -	 (79,268)	 1,743,775 (79,268)
TOTAL FUND BALANCES	 1,810,177		3,324,655	 679,273	 (79,268)	 5,734,837
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,816,564	\$	3,838,829	\$ 681,216	\$ 1,157,663	\$ 19,494,272

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS JUNE 30, 2007

TOTAL FUND BALANCES		\$ 5,734,837
Capital assets are not financial resources and therefore are not reported in the governmental funds: Cost Accumulated depreciation	\$ 199,458,532 (31,661,716)	167,796,816
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds.		1,566,680
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest in long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:		
Vested Compensated Absences Early Retirement Bonds payable Premium on Bonds Payable Accrued interest payable	(131,450) (811,573) (167,592,238) (2,031,174) (276,900)	(170,843,335)
The unamortized portion of prepaid pension costs and bond issuance costs is not available to pay for current period expenditures, and therefore is not reported in the governmental funds.		
Prepaid Pension Asset Bond Issue Costs	33,963,519 1,354,986	 35,318,505
TOTAL NET ASSETS		\$ 39,573,503

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2007

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Funds	Total
REVENUES:					
Local Sources:	\$ 30,966,674	16,130,477	73,528	1,469,320	48,639,999
Intermediate Sources	17,550	-	-	616,167	633,717
State Sources	32,225,732	-	-	46,971	32,272,703
Federal Sources	206,596		_	2,508,765	2,715,361
TOTAL REVENUES	63,416,552	16,130,477	73,528	4,641,223	84,261,780
EXPENDITURES: Current:					
Instruction	37,446,158	-	-	1,906,265	39,352,423
Support Services	22,796,481	-	-	817,033	23,613,514
Enterprise and Community Services	-	-	-	2,110,337	2,110,337
Facilities Acquisition and Construction	-	-	1,299,427	-	1,299,427
Debt Service	2,136,594	15,760,213	-	113,837	18,010,644
Capital Outlay	22,921				22,921
TOTAL EXPENDITURES	62,402,154	15,760,213	1,299,427	4,947,472	84,409,266
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,014,398	370,264	(1,225,899)	(306,249)	(147,486)
OTHER FINANCING SOURCES, (USES):					
Sale of Fixed Assets	-	-	750,000	-	750,000
Transfers In	, -	-	1,225	70,000	71,225
Transfers Out	(70,000)		(1,225)		(71,225)
TOTAL OTHER FINANCING SOURCE	S (70,000)	-	750,000	70,000	750,000
NET CHANGE IN FUND BALANCE	944,398	370,264	(475,899)	(236,249)	602,514
FUND BALANCE, July 1, 2006	812,372	2,954,391	1,155,172	196,097	5,118,032
Adjustment for Inventories reported under the purchase method	53,407	-	-	(39,116)	14,291
FUND BALANCE, June 30, 2007	\$ 1,810,177	\$ 3,324,655	\$ 679,273	\$ (79,268)	\$ 5,734,837

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2007

NET CHANGE IN FUND BALANCE		\$ 602,514
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. Expenditures for capital assets (net) Less current year depreciation	\$ 1,266,694 (4,977,637)	(3,710,943)
Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Assets, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This am is the net effect of these differences in the treatment of long-term debt and related items. Prepaid Pension asset amortization Bond premium amortization Bond issue cost amortization Debt principal repaid	ount (1,617,310) 149,639 (114,194) 9,560,000	7,978,135
Investments are recorded at amortized cost in the governmental funds. On the statement of net assets investments are recorded at fair market value. This amount represents the adjustment to fair market value for investments in securities.		
The statement of revenues, expenses and changes in fund balance contains an adjustmen for inventory, which is allocated to the functions on the statement of activities.	t	36,281
In the Staternent of Activities interest is accrued on long-term debt, whereas in the govenmental funds it is recorded as an interest expense when due.		41,853
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.		212,605
Compensated absences and early retirement obligations are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences and early retirement obligations are recognized as an expenditure when earned.		
Compensated absences Early retirement obligations	(11,442) (36,848)	(48,290)
CHANGE IN NET ASSETS	(50,040)	\$ 5,112,155

STATEMENT OF FIDUCIARY NET ASSETS June 30, 2007

	PRIVATE-PURPOSE TRUST FUND			
	EARL ANDERSON SCHOLARSHIP FUND		ı	AGENCY FUNDS
ASSETS:				
Cash and Investments Due From Governmental Funds	\$ 	-	\$	1,357,700
Total Assets	\$		\$	1,357,700
LIABILITIES AND NET ASSETS:				
Liabilities:				
Due to Student Organizations	\$		\$	1,357,700
Total Liabilities		-		1,357,700
Net Assets:		-		
Total Liabilities and Net Assets	\$	-	\$	1,357,700

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FIDUCIARY NET ASSETS For the Year Ended June 30, 2007

	EARL ANDERSON SCHOLARSHIP FUND
ADDITIONS:	
From Local Sources:	
Earnings on Investments	\$ 282
Total Additions	282_
DEDUCTIONS	
Current:	
Supporting Services	7,535
Change in Net Assets	(7,253)
Beginning Net Assets	7,253
Ending Net Assets	\$

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

West Linn-Wilsonville School District No. 3J is a municipal corporation governed by an elected five member board. As required by generally accepted accounting principles, these financial statements present West Linn-Wilsonville School District No. 3J (the primary government) and any component units. Component units, as established by the Government Accounting Standards Board (GASB) Statement 39, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. West Linn-Wilsonville School District No. 3J has two component units, the Three Rivers Charter School and the Art Tech Charter School are included in the School District's reporting entity because the Board of Directors of the District has consent over the charter of the Three Rivers Charter School and the Art Tech Charter School, and their exclusion from the District's financial statements would cause the District's financial statements to be misleading or incomplete. Detailed information about the Charter School's budgetary compliance and compliance with laws and regulations is contained in the Component Unit Financial Reports of Three Rivers Charter School and the Art Tech Charter School which are issued separately.

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 primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities, however interfund services provided and used are not eliminated in the process of consolidation. Program revenues include: (1) charges to students or others for tuition, fees, rentals, material, supplies or services provided, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

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

Net assets are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (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 and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

There are the following major governmental funds:

General Fund - This is the primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.

Debt Service Fund – This fund accounts for the payment of principal and interest on the General Obligation Bond and PERS Bond issues. The principal sources of revenue are property taxes and charges to other funds.

Capital Projects Fund - This fund accounts for activities related to the acquisition, construction, equipping and furnishing of facilities. Principal revenue sources are proceeds from the sale of bonds and interest earnings.

Special Revenue Fund – This fund accounts for revenues and expenditures designated for specific programs. The principal revenue sources are grants and contributions.

Additionally, the following other fund types are reported:

Fiduciary Funds

The Agency fund accounts for the transactions of the student body activity accounts. The private-purpose trust fund accounts for private contributions used for scholarships.

Measurement Focus and Basis of Accounting

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

have been satisfied. Under terms of grant agreements, certain programs are funded by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the 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 general 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 general long-term debt and acquisitions under capital leases are reported as other financing sources.

Agency fund financial statements report only assets and liabilities and therefore, have no measurement focus. However the accrual basis of accounting is used to recognize receivables and payables.

Cash, Cash Equivalents and Investments

The cash and cash equivalents consist of cash on hand, demand deposits, saving deposits, money market deposits, investments in the State of Oregon Treasurer's Local Government Investment Pool (LGIP) and cash with county treasurers.

The investments consist of time certificates of deposit, banker's acceptances, commercial paper and U.S. Government Agency securities. Time certificates of deposits are stated at cost which approximates fair value. Investments, other than time certificates of deposit, that have a remaining maturity at the time of purchase of one year or less are state at amortized cost. All other investments are state at fair value, or estimated fair value. The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the value in pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

Accounts and Other Receivables

Accounts and other receivables are comprised primarily of State school support and claims for reimbursement of costs under various federal and state grants.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes Receivable

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. 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 property taxes are recorded on the statement of net assets. 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.

Grants

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Grant monies received prior to the occurrence of qualifying expenditures are recorded as unearned revenue.

Supply Inventories and Prepaid Items

Supply inventories are stated at cost using first-in, first-out (FIFO) method. Any donated inventories are stated at their estimated fair market value. The cost of inventory items are recognized as an expenditure when purchased (purchase method) for budgetary purposes. A portion of the inventory consists of donated United States Department of Agriculture (USDA) commodities. Commodities are recorded as expenditures when consumed and are stated at their fair market value based on guidelines provided by the USDA. Commodities on hand at year end are recorded as deferred revenue. As a result, fund balance on the balance sheet has not been reserved for inventories of donated commodities. All other inventories in the governmental funds have been equally offset by an adjustment for inventory recorded under the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items both in the government-wide and fund financial statements.

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. 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. Interest incurred during construction is not capitalized. 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 Equipment

10 to 50 years 5 to 20 years

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans

Substantially all of the employees are participants in the State of Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged as expenditures.

There is a deferred compensation plan available to its employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one, which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets and liabilities of the District.

Compensated Absences

It is the 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 with the District. All unused vacation pay 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.

Long-term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

A budget is prepared and legally adopted for each governmental fund type and pension trust fund on the modified accrual basis of accounting. The agency fund is not required to be budgeted. A budget is prepared for two areas of the Capital Project Fund because the individual funds are associated with specific bond proceeds, however, the legal level of budgetary control is at the combined level. The budgetary basis of accounting is substantially the same as accounting principles generally accepted in the United States of America basis, except capital outlay expenditures, including items below the capitalization level, are budgeted by major function in governmental fund types, inventories are budgeted as expenditures when purchased. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are established at the major function level (instruction, support services, community services, facilities acquisition and construction, debt service, operating contingency and transfers) for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. During the year, four appropriation transfers were made. Appropriations lapse at the end of each fiscal year. Expenditures of the various funds were within authorized appropriations, except for the General fund, which overspent Support Services by \$526,886; the Debt Service Fund which overspent Debt Service by \$2,272,948, The Capital Projects fund which overspent transfers out by \$1,225, the Special Revenue fund which overspent Support Services by \$313,266 and Enterprise and Community Services by \$174,139, and the Earl Anderson Scholarshp Fund, which overspent Supporty Services by \$7,035.

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 effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

Deposits

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. The total bank balance per the bank statements was \$5,565,905. Of these deposits, \$431,249 were covered by federal depository insurance, \$1,283,664 by certificates of participation backed by securities held by financial institutions acting as agents for the District in the District's name. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depositor institution to maintain on deposit with the collateral pool manager securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. This collateral is held in the name of the bank(s). The remaining \$3,850,992 was not collateralized. State statutes govern the District's cash management policies, because the District does not have an official investment policy. Statutes authorize the District to invest in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Investments

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. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, 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, except as noted above regarding collateralization.

2. Cash and Investments (Continued)

Cash and Investments at June 30, 2007, (recorded at fair value) consisted of:

Deposits With Financial Institutions:	2007	Reported in:	2007
Demand Deposits:		Governmental Activities	\$ 14,010,497
Checking	\$ 4,502,786	Component Unit	-
Cash with Fiscal Agents	280,627	Fiduciary Funds	1,537,700
Investments	10,764,784		
		Total	\$ 15,548,197
Total	\$ 15,548,197		

The Component Unit's cash reported above is included because the operations of Art Tech Charter School are run through the operating account, however are reported in the separately issued financial statements of that School, and on the government-wide financials statements.

The District had the following investments and maturities:

			_							
Investment Type	-	Fair Value	Less than 3			3-18		18-59		
State Treasurer's Investment Pool	\$	10,718,886	\$	10,718,886	\$	-	\$	-		
OSBA Capitalized Interest Bonds & Notes		45,898		45,898		-				
Total	\$	10,764,784	\$	10,718,886	\$	<u>-</u>	\$	A		

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, 99% of total investments were in the State Treasurer's Investment Pool and 1% in OSBA Capitalized Interest Bonds and Notes. State statutes do not limit the percentage of investments in either of these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2007, there was in compliance with all percentage restrictions.

3. RECEIVABLES

Receivables are comprised of the following as of June 30, 2007:

Property taxes	\$ 1,719,632
Other Receivables	2,821,970
Total	\$ 4,541,602

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

		Balance		Reclassification and		Balance
Governmental Activities:	J۱	ıne 30, 2006	Additions	Deletions	J	une 30, 2007
Capital Assets Not Being Depreciated:			 			,
Land	\$	8,245,717			\$	8,245,717
Construction in Progress		-	-			-
Total Capital Assets Not Being Depreciated		8,245,717	-			8,245,717
Capital Assets Being Depreciated:						
Buildings and Improvements		187,163,076	1,266,694			188,429,770
Machinery and Equipment		3,829,970	•			3,829,970
Total Capital Assets Being Depreciated		190,993,046	1,266,694	-		192,259,740
Accumulated Depreciation						
Total Accumulated Depreciation		(27,731,004)	 (4,977,637)			(32,708,641)
Total Capital Assets Being Depreciated, Net		163,262,042	(3,710,943)	-		159,551,099
Governmental Activities						
Capital Assets, Net	\$	171,507,759	\$ (3,710,943)	\$ -	\$	167,796,816

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		
Instruction	\$	3,733,228
Support Services		995,527
Community Services	_	248,882
Total Depreciation Expense-		
Governmental Activities	\$	4,977,637

5. LONG-TERM DEBT

Bonds Payable

The following changes occurred in bonds payable during the fiscal year ending June 30, 2007:

Issue Date	Interest Rates	Original Issue	Outstanding July 1, 2006		y 1,		Matured And Redeemed			Outstanding June 30, 2007	Due Within One Year		
September 1997	4.45-5.75%	\$ 76,440,000	\$	26,360,000	\$	-	\$	6,910,000	\$	19,450,000	\$	7,830,000	
July 2002	2.5-4.5%	12,995,000		7,480,000		-		1,855,000		5,625,000		1,915,000	
May 2003	2.0-4.78%	74,997,238		73,717,238	-		795,000		72,922,238			815,000	
March 2004	2.0-4.78%	42,180,000	42,180,000		-			-	42,180,000			-	
November 2004	2.0-4.78%	27,815,000		27,415,000						27,415,000		-	
				177,152,238		-		9,560,000		167,592,238		10,560,000	
Early Retirement Obliga	tion			774,725		350,267		313,419		811,573		293,536	
Unamortized Premium/(Discount)			2,180,813				149,639		2,031,174		<u>-</u> _	
Total Bonds Payab	le		\$	180,107,776	\$	350,267	\$	10,023,058	\$	170,434,985	\$	10,853,536	

Future maturities of bonds payable are as follows:

Fiscal Year		
Ending June 30,	Principal Principal	Interest
2008	10,560,000	5,799,703
2009	11,735,000	5,262,960
2010	8,720,000	4,654,141
2011	7,785,000	4,341,444
2012	8,720,000	3,968,514
2013-2017	48,374,172	13,955,891
2018-2022	42,004,171	43,316,587
2023-2027	27,228,895	13,322,407
2028-2032	2,465,000	136,265
Total	\$ 167,592,238	\$ 94,757,912

All long-term debt obligations are payable from the general and debt service funds.

5. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds are issued to provide funds for the acquisition and construction of school facilities. The original amount of general obligation bonds issued in prior years was \$164,432,238.

Advance Refunding Bonds

In July of 2002 general obligation refunding bonds were issued. The proceeds of the new bonds were placed in an irrevocable trust to provide for future debt service payments on the 1992 bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the basic financial statements.

In November of 2004, general obligation refunding bonds were issued. The proceeds of the new bonds were placed in an irrevocable trust to provide for future debt service payments on the 1997 bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the basic financial statements. The advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$1,509,930.

On June 30, 2007, \$37,245,000 of bonds outstanding are considered defeased.

Pension Obligation Bonds

On March 1, 2004, limited tax pension obligation bonds totaling \$42,180,000, were issued to finance the unfunded actuarially accrued liability (UAL) with the State of Oregon Public Employees Retirement System (PERS). The issuance of the bonds was considered an advance refunding of the District's UAL. The actual savings realized over the life of the bonds is uncertain because of the various legislative changes and legal issues pending with the PERS system which could impact the future required contribution rate.

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds at June 30, 2007 and transfers in and out for the year then ended are as follows:

	D	ue From		Due to				
	_Oth	ner Funds	Ot	her Funds	Tra	ansfers In	Trai	nsfers Out
General Fund	\$	424,194	\$	0	\$	0	\$	70,000
Debt Service Fund		319,447		0		0		0
Capital Projects Fund		0		1,943		1,225		1,225
Special Revenue Fund		48,422		790,120		70,000		0
	\$	792,063	\$	792,063	\$	71,225	\$	71,225

Interfund balances represent amounts owed to or from the general fund for pooled cash and investments. The interfund transfers represent a subsidy from the General Fund to Food Service fund for operations.

7. OTHER POST EMPLOYMENT BENEFITS

Early Retirement

An early retirement plan is provided for certified and administrative employees. The plan is a single employer defined benefit pension plan available to a teacher or administrator who has completed fifteen or more years of service with the District and is at least 55 years of age or has 30 years in PERS. The plan provides two options: 1) a monthly stipend of \$500; or 2) a monthly stipend of \$350 plus additional dollars toward insurance benefits. All stipends terminate after forty-eight months or the end of the month in which the teacher reaches the age of 62, whichever is first.

The total obligation to 47 employees currently on early retirement is \$811,573. The District plans to cover this obligation through annual appropriations on a pay as you go basis. The charge to expenditures for employees retired under the plan for the fiscal years 2007 and 2006 was \$318,302 and \$574,862 respectively, and were equal to required contributions for each year. An actuarial study has been done however it was not included in this report as the District will implement GASB Statement No. 45 during the 2007-08 fiscal year.

Post Employment Health Care Benefits

As a result of collective bargaining agreements, the Board has authorized, in addition to the pension benefits described above, the District to provide postretirement health care benefits to all employees who retire under the aforementioned early retirement plan. Currently, 65 retirees meet those eligibility requirements.

The plan provides teachers with full family medical, dental and vision insurance which continues until the retiree reaches age 62. Under option 2) in note 7, from age 62 to 65, the teacher receives \$900 annually toward medical insurance premiums, with any balance paid by the retiree. Insurance through age 65, and a \$50,000 life insurance policy is provided for administrators. Such costs are recorded as expenditures and funded on a pay as you go basis. For fiscal years 2007 and 2006, these costs totaled \$760,653 and \$324,463 respectively.

8. PENSION PLAN

Contributes are made to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multipleemployer 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.

8. Pension Plan (Continued)

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 at an actuarially determined rate. The rate effective July 1, 2005 is 2.78% of salary covered under the plan for Tier 1 and Tier 2 employees and 8.04% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). On March 1, 2004 the District participated in the Oregon School Boards Association limited tax pension obligation bond issues to finance a portion of the estimated unfunded PERS actuarial liability (the "UAL"). \$42,180,000 was borrowed, reducing the rate paid to PERS to 2.78%, on Tier 1 and Tier 2 employees, effective March 1, 2004. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The contribution to the plan for the years ending June 30, 2007, 2006, and 2005 were \$3,956,717, \$4,126,975, and \$3,919,675, respectively, and were equal to the required contributions for each year. The employee's 6% required contribution is paid in accordance with bargaining agreements.

9. RISK MANAGEMENT

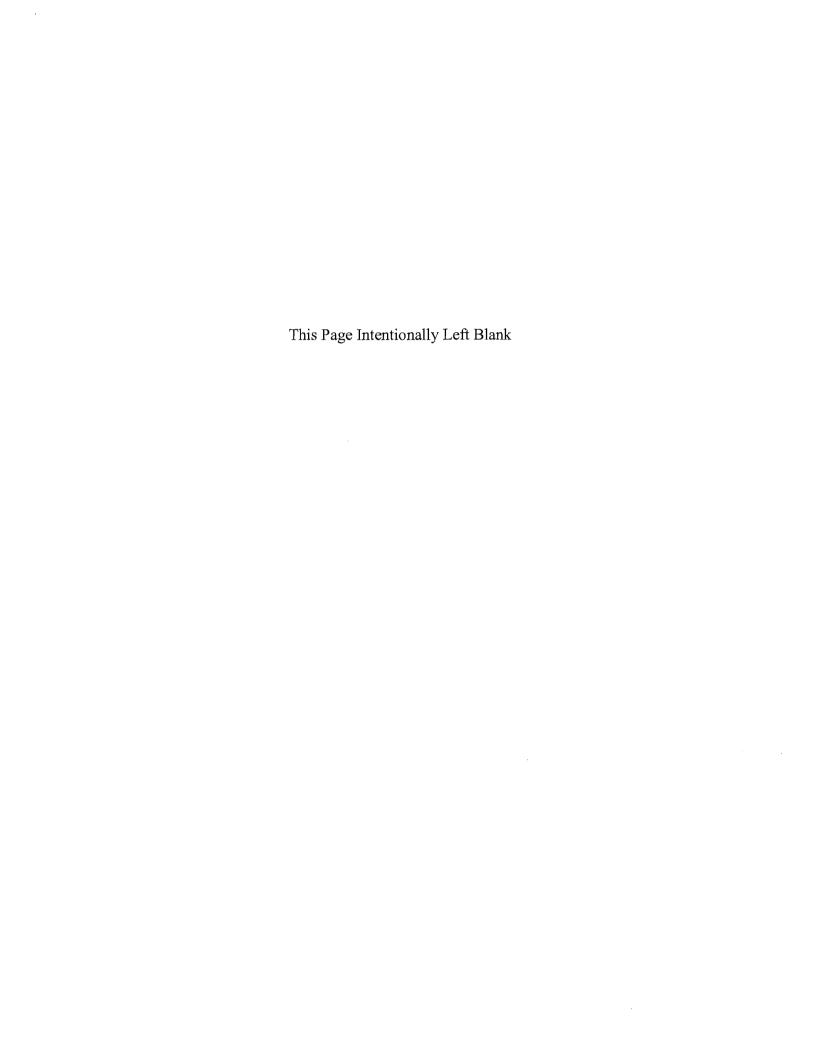
The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. The amount of settlements did not exceed insurance coverage limits in any of the past three years.

10. DEFICIT FUND BALANCE

There is a deficit fund balance in the Special Revenue Fund of \$79,268. This is due primarily to food service operations. The intention is to transfer funds from the General Fund to cover the deficit and bring food service operations closer to break-even.

11. Subsequent Events

\$3.5 million in Tax and Revenue Anticipation Notes were issued in August 2007. This financing was done to provide necessary cash to be used for cash flow purposes in October 2007 and June 2008. The repayment date of this TRAN issue is August 15, 2008.



REQUIRED SUPPLEMENTARY DATA



STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ACTUAL AND BUDGET

For the Year Ended June 30, 2007

GENERAL FUND

PENENTIES.	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES: Local Sources	¢ 00.04E.670	\$ 29,215,670	\$ 30,966,674	\$ 1,751,004
Intermediate Sources	\$ 29,215,670 17,024	\$ 29,215,670 17,024	ъ 30,966,674 17,550	\$ 1,751,004 526
State Sources	33,007,627	33,007,627	32,225,732	(781,895)
Federal Sources	222,900	222,900	206,596	(16,304)
				
Total Revenues	62,463,221	62,463,221	63,416,552	953,331
EXPENDITURES: Instruction	37,893,126	38,393,126 (1)	37,469,080	924,046
Support Services	22,769,595	22,269,595 (1)		(526,886)
Debt Service	2,250,000	2,250,000 (1)	2,136,594	113 <u>,</u> 406
Total Expenditures	62,912,721	62,912,721	62,402,154	510,567
Excess of Revenues Over (Under) Expenditures	(449,500)	(449,500)	1,014,398	442,764
OTHER FINANCING SOURCES (USES) Transfers Out		(145,000) (1)		75,000
Total Other Financing Sources (Uses)		(145,000)	(70,000)	75,000
Net Change in Fund Balance	(449,500)	(594,500)	944,398	1,538,898
Beginning Fund Balance	449,500	449,500	812,372	362,872
Ending Fund Balance	\$ -	\$ (145,000)	\$ 1,756,770	\$ 1,901,770
			53,407	
Fund Balance (GAAP Basis)			\$ 1,810,177	

(1) Appropriation level

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL YEAR ENDED JUNE 30, 2007

SPECIAL REVENUE FUND	Budg	et (2)			Variance with Final Budget Positive
	Adopted	Final	-	Actual	(Negative)
REVENUES:					(* * - 3)
Local Sources	1,600,054	1,600,054	\$	1,469,320	(130,734)
Intermediate Sources	608,000	608,000		616,167	8,167
State Sources	20,000	20,000		46,971	26,971
Federal Sources	2,520,500	2,520,500		2,508,765	(11,735)
TOTAL REVENUES	4,748,554	4,748,554	_	4,641,223	(107,331)
EXPENDITURES:					
Instruction	2,226,434	2,226,434	(1)	1,906,265	320,169
Support Services	503,767	503,767	(1)	817,033	(313,266)
Enterprise and Community Services	1,936,198	1,936,198	(1)	2,110,337	(174,139)
Other Objects	121,155	121,155	(1)	113,837	7,318
TOTAL EXPENDITURES	4,787,554	4,787,554		4,947,472	(159,918)
OTHER FINANCING SOURCES:					
Transfers In	-	75,000		70,000	(5,000)
NET CHANGE IN FUND BALANCE	(39,000)	36,000		(236,249)	(272,249)
FUND BALANCE, July 1, 2006	39,000	39,000		126,681	87,681
FUND BALANCE, June 30, 2007	\$	\$ 75,000	\$	(109,568)	\$ (184,568)
(1) Appropriation level					
Reconciliation to GAAP Basis Ending Fund Balance					
Budgetary Basis Ending Fund Balance Supply Inventory			\$	(109,568) 30,300	
GAAP Basis Ending Fund Balance			\$	(79,268)	

⁽¹⁾ Appropriation Level

⁽²⁾ The District appropriates one special revenue fund. The combining schedules on pages 34-36 show the details of the special revenue subfunds.

SUPPLEMENATARY DATA



SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2007

DEBT SERVICE FUND

		Budget				Debt Service			PERS Debt				Variance with Final Budget Positive	
		Adopted		Final	_		Fund	Se	rvice Fund		Total	(Negative)	
REVENUES:														
Local Sources														
Property Taxes	\$	13,241,400	\$	13,241,400		\$	13,632,456	\$	-	\$	13,632,456	\$	391,056	
Earnings on Investments		-		-			332,224		57,687		389,911		389,911	
Services Provided Other Funds		-		-			-		2,108,110		2,108,110		2,108,110	
Miscellaneous		-		-	_			_					-	
TOTAL REVENUES		13,241,400		13,241,400	_		13,964,680		2,165,797		16,130,477		2,889,077	
EXPENDITURES: Debt service:		13,487,265		13,487,265	(1)		13,487,165		2,273,048		15,760,213		(2,272,948)	
					. ,			_						
TOTAL EXPENDITURES		13,487,265		13,487,265	_		13,487,165		2,273,048		15,760,213		(2,272,948)	
NET CHANGE IN FUND BALANC	E	(245,865)		(245,865)			477,515		(107,251)		370,264		616,129	
FUND BALANCE, July 1, 2006		2,260,600		2,260,600	_		2,662,031		292,360		2,954,391		693,791	
FUND BALANCE, June 30, 2007	\$	2,014,735	\$	2,014,735	=	\$	3,139,546	\$	185,109	\$	3,324,655	\$	1,309,920	

⁽¹⁾ Appropriation level

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL YEAR ENDED JUNE 30, 2007

CAPITAL PROJECTS FUND

				Variance with Final Budget
	Budg	jet		Positive
	Adopted	Final	Actual	(Negative)
REVENUES:				
Local Sources:	400,000	400,000	0	(400,000)
Contributions/Donations Earnings on Investments	10,000	10,000	73,528	(400,000) 63,528
Lattings of investmente	10,000	10,000	70,020	
TOTAL REVENUES	410,000	410,000	73,528	(336,472)
EVECIDITUES.				
EXPENDITURES: Facilities Acquistion and Construction:	2,410,000	2,610,000 (1)	1,299,427	1,310,573
admited Adquistion and Constitution.			1,200,427	1,510,573
TOTAL EXPENDITURES	2,410,000	2,610,000	1,299,427	1,310,573
	•			_
OTHER FINANCING SOURCES (USES) Transfer Out		(4)	(4.225)	(4.225)
Transfer Out Transfer In	- -	- (1) -	(1,225) 1,225	(1,225) 1,225
Sale of Capital Assets	-	_	750,000	750,000
·		_		
Total Other Financing Sources (Uses)	-	-	750,000	750,000
Net Change in Fund Balance	(2,000,000)	(2,200,000)	(475,899)	1,724,101
-	, , , , , , , , , , , , , , , , , , , ,	, , , ,	. , ,	, ,
FUND BALANCE, July 1, 2006	2,000,000	2,000,000	1,155,172	(844,828)
FUND BALANCE, June 30, 2007	\$ -	\$ (200,000)	\$ 679,273	\$ (844,828)



COMBINING BALANCE SHEET SPECIAL REVENUE FUNDS JUNE 30, 2007

	 SOAR Fund		HS Charter School Fund		Title IC Fund		ocational Education Fund		Title IA/D Fund		IDEA Fund	 Title IIA Fund		Youth Transition Program Fund		Title III Fund
ASSETS Due from Other Funds	\$ 24,475	\$	_	\$		\$	_	\$	-	\$	_	\$ _	\$	_	\$	_
Cash		·	-	•	•	Ť	-		-		-	-	,	-	,	-
Prepaid Expenses	-		-		-		-		-		-	-		-		-
Accounts Receivable	 -	_	-	_	1,978		28,449	_	189,588	_	384,040	 73,606	_	23,660		22,743
TOTAL ASSETS	\$ 24,475	\$	-	\$	1,978	\$	28,449	\$	189,588	\$	384,040	\$ 73,606	\$	23,660	\$	22,743
LIABILITIES AND FUND BALANCES Liabilities: Accounts Payable Accrued Payroll Deferred Revenue Due to Other Funds Due to Charter School	\$ - - - -	\$	- - - -	\$	- - - 1,978	\$	- - - 28,449 -	\$	- 31,808 - 157,780 -	\$	117,070 - 239,980 26,990	\$ 18,708 - 54,898 -	\$	9,008 - 14,652	\$	- - - 22,743 -
TOTAL LIABILITIES	-		-		1,978		28,449		189,588		384,040	73,606		23,660		22,743
Fund Balances:																
Unreserved, Undesignated	 24,475		-		-		-	_	-		-	 •				
TOTAL LIABILITIES AND FUND																
BALANCES	\$ 24,475	\$	-	\$	1,978	\$	28,449	\$	189,588	\$	384,040	\$ 73,606	\$	23,660	\$	22,743

-	Fitle IID Fund		itle V Fund	 Oregon Ready to Learn Fund	T	Title IV-A Fund	Disabled Child Fund		Food Service Fund		Community Education Fund		Meyer Memorial Fund		Marie Lamfrom Foundation Fund		Total
\$		\$		\$ 23,947	\$	-	\$	\$		\$		\$	-	\$	-	\$	48,422
	1,289		-	 -		- 15,806	 308,084		3,348		- 26,350				-		1,078,941
\$	1,289	\$	-	\$ 23,947	\$	15,806	\$ 308,084	\$	3,348	\$	26,350	_	-			\$	1,127,363
\$	-	\$	-	\$ -	\$	-	\$ 63,000 75,466	\$	- 104,761	\$	-	\$	-	\$	-	\$	63,000 356,821
	1,289		-	-		- 15,806 -	38,651 -		- 207,020 -		- 6,874 -		-		-		790,120 26,990
	1,289	***************************************	-			15,806	177,117		311,781		6,874		-		-		1,236,931
			-	 23,947	Marie Control	-	130,967		(308,433)		19,476		-	-	-	Ngonisson	(109,568)
\$	1,289	\$		\$ 23,947	\$	15,806	\$ 308,084	\$	3,348	\$	26,350 	\$		\$	_	\$	1,127,363
							Reconciliatio	n to	GAAP Basis	Endi	ng Fund Balar	ıce					
							Budgetary Ba Supply Invent		nding Fund Ba	lance	Э					\$	(109,568)
							GAAP Basis E	inding	j Fund Bala n d	ė						\$	(79,268)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007

		SOAR Fund	ŀ	HS Charter School Fund		Title IC	Vocational Education Fund		Title IA/D Fund		IDEA Fund
REVENUES: Local Sources Intermediate Sources State Sources	\$	26,645	\$	-	\$		\$ - - -	\$	-	\$	-
Federal Sources				130,699		1,978	 17,500		. 399,143		1,294,872
TOTAL REVENUES		26,645		130,699		1,978	 17,500		399,143	***************************************	1,294,872
EXPENDITURES: Instruction Support Services Enterprise and Community Services Other Objects		11,382 - - 497		130,699		733 1,245 -	 17,500 - - -		387,806 2 11,337		505,224 760,136 - 29,512
TOTAL EXPENDITURES		11,879		130,699		1,978	17,500		399,143		1,294,872
OTHER FINANCING SOURCES: Transfers In		<u>.</u>		-			 		-		
NET CHANGE IN FUND BALANCE		14,766		-		-	-		-		-
FUND BALANCE, July 1, 2006	-	9,709		-	•		 	-	-	V	-
FUND BALANCE, June 30, 2007	\$	24,475	\$	<u> </u>	\$	-	\$ -	\$	-	\$	

⁽¹⁾ Appropriation level

	Youth	,			Oregon		
Title IIA Fund	Transition Program Fund	Title III Fund	Title IID Fund	Title V Fund	Ready to Learn Fund	Title IV-A Fund	Disabled Child Fund
-	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ -	\$ -
-	-	-	-	-	-	-	616,167
148,845	39,062	33,146	3,931	9,230		18,575	
148,845	39,062	33,146	3,931	9,230	20,000	18,575	616,167
145,057 -	37,060 -	- 33,146	- 3,931	8,833	20,778	- 18,575	606,573
3,788	2,002		-	397_			16,478
148,845	39,062	33,146	3,931	9,230	20,778	18,575	623,05
-	•	-	-	-	(778)	-	(6,884
		-			24,725		137,85
} -	\$	\$ -	\$ -	\$ -	\$ 23,947	\$ -	\$ 130,967

				Marie							Variance with
	Food	Community	Meyer	Lamfrom							Final Budget
	Service	Education	Memorial	Foundation			Buc	dget		_	Positive
	Fund	Fund	Fund .	Fund		Total	Adopted		Final	•	(Negative)
\$	1,216,326	\$ 171,729	6,000	28,620	\$	1,469,320	1,600,054		1,600,054		(130,734)
	-	-	-			616,167	608,000		608,000		8,167
	20,621	26,350	-	•		46,971	20,000		20,000		26,971
	411,784					2,508,765	2,520,500		2,520,500		(11,735)
	1,648,731	198,079	6,000_	28,620		4,641,223	4,748,554	-	4,748,554		(107,331)
	-	-	6,000	28,620		1,906,265	2,226,434		2,226,434	(1)	320,169
		-	-	-		817,033	503,767		503,767	(1)	(313,266)
	1,929,289	181,048	-	~		2,110,337	1,936,198		1,936,198	(1)	(174,139)
	40,514	9,312				113,837	121,155		121,155	. (1)	7,318
_	1,969,803	190,360	6,000	28,620		4,947,472	4,787,554	-	4,787,554		(159,918)
	70,000					70,000			75,000		(5,000)
	(251,072)	7,719	-			(236,249)	(39,000)		36,000		(272,249)
	(57,361)	11,757				126,681	39,000		39,000		87,681
\$	(308,433)	\$ 19,476			_\$	(109,568)	\$ -	\$	75,000		\$ (184,568)

Reconciliation to GAAP Basis Ending Fund Balance

Budgetary Basis Ending Fund Balance	\$ (109,568)
Supply Inventory	30,300
GAAP Basis Ending Fund Balance	\$ (79,268)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL YEAR ENDED JUNE 30, 2007

EARL ANDERSON SCHOLARSHIP FUND

		Bud	get				/ariance with Final Budget Positive
	Α	.dopted		Final		Actual	(Negative)
REVENUES:		,					
Local Sources:					_		
Investment Earnings	\$	240	\$	240	\$	282	\$ 42
TOTAL REVENUES		240		240		282	 42_
EXPENDITURES:							
Support Services:		500		500 (1)	7,535	 (7,035)
TOTAL EXPENDITURES		500		500		7,535	 (7,035)
NET CHANGE IN FUND BALANCE		(260)		(260)		(7,253)	6,993
FUND BALANCE, July 1, 2006		7,200		7,200	No.	7,253	 53_
FUND BALANCE, June 30, 2007	\$	6,940	\$	6,940	\$		\$ (6,940)

⁽¹⁾ Appropriation level

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES For the Year Ended June 30, 2007

STUDENT ACTIVITY FUNDS:	-	BALANCE AT 7/1/06	 ADDITIONS	D8	EDUCTIONS	BALANCE AT 6/30/07
ASSETS:						
Cash and Investments	\$	1,162,701	\$ 2,931,208	\$	2,736,209	\$ 1,357,700
Total Assets	\$	1,162,701	\$ 2,931,208	\$	2,736,209	\$ 1,357,700
LIABILITIES:						
Due to Student Organizations	\$	1,162,701	\$ 2,931,208	\$	2,736,209	\$ 1,357,700
Total Liabilities	\$	1,162,701	\$ 2,931,208	\$	2,736,209	\$ 1,357,700

SCHEDULE OF PROPERTY TAX TRANSACTIONS YEAR ENDED JUNE 30, 2007

Cash Collections by County Treasurers Above

Accrual of Receivables: Other Taxes

Total Revenue

June 30, 2006 June 30, 2007

GENERAL FUND

Tax Year		Original Levy or Balance Uncollected 7/1/06	Deduct Discounts	Ad.	justments To Rolls		Add nterest	Cash Collections By County Treasurer	Un	Balance ncollected Or segregated 6/30/2007
Current: 2006-07	\$	28,962,115	\$ 700,354	\$	(50,180)	\$	17,554	\$ 27,443,180	\$	785,955
Prior Years:										
2005-06		646,148	(2)		(5,018)		34,846	467,264		208,714
2004-05		182,274	(52)		(5,304)		18,939	104,502		91, 4 59
2003-04		88,508	(11)		(3,247)		16,894	67,867		34,299
2002-03		43,653	(2)		(12,253)		7,036	25,105		13,333
2001-00 & Prior		29,909	(23)		(4,083)		1,659	6,345		21,163
Total Prior		990,492	 (90)		(29,905)		79,374	 671,083		368,968
Total General Fund	\$	29,952,607	\$ 700,264	\$	(80,085)	<u>\$</u>	96,928	\$ 28,114,263	\$	1,154,923
RECONCILIATION 1	Γ0 R	EVENUE:								

28,114,263

8,689 (87,764)

102,417

28,137,605

\$

SCHEDULE OF PROPERTY TAX TRANSACTIONS YEAR ENDED JUNE 30, 2007

DEBT SERVICE FUND

Total Revenue

Tax Year		Original Levy or Balance Jncollected 7/1/06		Deduct Discounts		djustments To Rolls	 Add nterest	 Cash Collections By County Treasurer	U	Balance Uncollected Or nsegregated 6/30/2007
Current:										
2006-07	\$	14,003,877	\$	338,504	\$	(24,242)	\$ 8,518	\$ 13,268,949	_\$_	380,700
Prior Years:										
2005-06		308,356		-		(2,317)	16,655	222,949		99,745
2004-05		90,714		(26)		(2,636)	9,427	52,013		45,518
2003-04		52,125		(6)		(1,920)	9,948	39,961		20,198
2002-03		29,045		(1)		(8,163)	4,679	16,693		8,869
2001-00 & Prior		13,680		(11)		(1,868)	759	2,903		9,679
Total Prior		493,920		(44)		(16,904)	 41,468	 334,519		184,009
Total Debt Service Fun	c <u>\$</u>	14,497,797	\$	338,460	 	(41,146)	\$ 49,986	\$ 13,603,468	\$	564,709
RECONCILIATION TO			(D						\$	13,603,468
Accrual of Receivables Other Taxes June 30, 2006 June 30, 2007		Treasurers ADOV	/ U						Þ	21,027 (42,574) 50,535

\$ 13,632,456

SCHEDULE OF BOND AND INTEREST TRANSACTIONS AND BALANCES For The Year Ended June 30, 2007

DATE OF ISSUE	MATU BON COUF OUTSTA AT 7.	DS & PONS ANDING	BONDS & COUPONS MATURING DURING THE YEAR	CO	BONDS DEEMED AND UPONS PAID DURING THE YEAR	MATURED BONDS & COUPONS OUTSTANDING AT 6/30/07
11/30/04	\$	0	\$ 1,296,975	\$	1,296,975	\$ 0
03/01/04		0	2,273,048		2,273,048	0
05/28/03		0	1,767,000		1,767,000	0
Series 2002 Refunding		0	2,073,500		2,073,500	0
09/01/97		0	 8,349,690		8,349,690	 0
TOTALS:	\$	0	\$ 15,760,213	\$	15,760,213	\$ 0

SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS

For The Year Ended June 30, 2007

	ISSUE	OF 5/28/03	SERIES 200	2 REFUNDING	ISSUE OF 9/1/97			
FISCAL YEAR	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL			
	Due 6/15	Due 12/15 & 6/15	Due 10/1	Due 10/1 & 4/1	Due 6/1			
2007-08 2008-09 2009-10 2010-11 2011-12 2012-13 2013-14 2014-15 2015-16 2016-17 2017-18 2018-19 2019-20 2020-21 2021-22 2022-23 2023-24 2024-25 2025-26	\$ 815,000 500,000 4,400,000 4,745,000 5,190,000 5,675,000 4,052,593 3,982,904 3,911,288 3,852,387 6,356,204 6,231,753 6,078,221 5,826,068 5,711,928 5,593,898	931,750 918,000 780,500 543,250 283,750 2,137,407 2,437,096 2,758,712 3,077,613 5,708,796 6,308,247 6,956,780 7,473,935 8,118,072	\$ 1,915,000 1,980,000 1,730,000 - - - - - - - - - - - - - - - - -	\$ 159,181 93,038 29,194 - - - - - - - - - - - - - - - - - - -	\$ 7,830,000 9,210,000 2,410,000 - - - - - - - - - - - - - - - - -	\$ 1,118,375 668,150 138,574 - - - - - - - - - - - - - - - -		
2026-27 2027-28	-	-			-	-		
TOTALS	\$ 72,922,238	\$ 58,177,138	\$ 5,625,000	\$ 281,413	\$ 19,450,000	\$ 1,925,099		

PENSION BOND ISSUE OF 3/1/04				SERIES 2004 REFUNDING			TOTAL REQUIREMENTS				
PRINCIPAL INTEREST		PRINCIPAL			INTEREST		ALL ISSUES				
Due 12/30 Due 6/30 & 6/30			Due 6/30		Due 12/30 & 6/30		PRINCIPAL		_	INTEREST	
\$	45,000 180,000 320,000 480,000 650,000 830,000 1,035,000 1,250,000 1,490,000 2,030,000 2,035,000 3,025,000 3,025,000 3,415,000 4,290,000 4,785,000 5,310,000 2,465,000	\$	2,273,047 2,273,047 2,271,398 2,263,969 2,249,889 2,227,867 2,196,842 2,157,060 2,106,107 2,043,320 1,966,987 1,875,846 1,767,789 1,642,329 1,497,806 1,332,248 1,143,467 931,468 694,317 429,802 136,265	\$	- - 2,720,000 3,050,000 3,435,000 4,285,000 4,785,000 5,295,000	\$	1,296,975 1,296,975 1,296,975 1,296,975 1,175,375 1,030,063 860,812 678,563 453,600 238,275	\$	10,560,000 11,735,000 8,720,000 7,785,000 8,720,000 9,760,000 8,727,593 9,302,904 9,946,288 10,637,387 8,101,204 8,261,753 8,413,221 8,491,065 8,736,928 9,008,895 3,835,000 4,290,000 4,785,000 5,310,000 2,465,000	\$	5,799,703 5,262,960 4,654,141 4,341,444 3,968,514 3,541,680 5,195,061 5,272,719 5,318,419 5,359,208 7,675,783 8,184,093 8,724,569 9,116,264 9,615,878 10,123,353 1,143,467 931,468 694,317 429,802 136,265
\$	42,180,000	\$	35,480,870	\$	27,415,000	\$	9,624,588	\$	167,592,238	\$	105,489,108

WEST LINN-WILSONVILLE SCHOOL DISTRICT SCHEDULE OF REVENUES BY FUNCTION - GENERAL FUND

Revenue from Local Sources	General
1110 Ad Valorem Taxes Levied by District	\$ 21,826,098
1120 Local Option Ad Valorem Taxes Levied by District	6,311,507
1190 Penalties and Interest on Taxes	34,536
1200 Rev from Local Govt'l Units Other Than Districts	-
1310 Regular Day School Tuition	824,894
1320 Adult/Continuing Education Tuition 1330 Summer School Tuition	5.745
1400 Transportation Fees	5,745
1500 Earnings on Investments	708,160
1600 Food Service	700,100
1700 Extracurricular Activiles	896,003
1800 Community Services Activities	350,000
1910 Rentals	175,030
1920 Contributions and Donations From Private Sources	4,040
1960 Recovery of Prior Years' Expenditure	
1970 Services Provided Other Funds	-
1980 Fees Charged to Grants	-
1990 Miscellaneous	180,661
Total Revenue from Local Sources	\$ 30,966,674
Revenue from Intermediate Sources	General
2101 County School Funds	\$ 17,550
2102 Education Service District Apportionment	-
2105 Natural Gas, Oil, and Mineral Receipts	
2199 Other Internediate Sources	-
2200 Restricted Revenue	-
2800 Revenue in Lieu of Taxes 2900 Revenue tor/on Behalt of the District	-
	47.550
Total Revenue from Intermediate Sources	\$ 17,550
	2
Revenue from State Sources	General
3101 State School Fund - General Support 3102 State School Fund - School Lunch Match	\$ 30,999,354
3103 Common School Fund	2 42 222
3104 State Managed County Timber	342,323
3105 Sef Transportation	-
3199 Other Unrestricted Grants-in-Aid	759,428
3204 Driver Education	7,55,120
3222 SSF Transportation Equipment	
3299 Other Restricted Grants-in-Aid	124,627
3800 Revenue in Lieu of Taxes	
3900 Revenue for/on Behalf of the District	-
Total Revenue from State Sources	\$ 32,225,732
Revenue from Federal Sources	General
4100 Unrestricted Rev. Dir. Federal Government	\$ -
4200 Unrestr. Rev. Federal Government Through State	-
4300 Restr. Rev. Federal Government	~
4500 Restricted Rev. Federal Gov. Through State	~
4700 Grants-In-Aid Fed. Gov. Thru Interm. Agencies	
4801 Federal Forest Fees	206,596
4802 Impact Aid to School Districts for Operation (PL 874) 4803 Coos Bay Wagon Road Funds	-
4899 Other Revenue in Lieu of Taxes	-
4900 Revenue for/on Behalf of the District	-
Total Revenue from Federal Sources	\$ 206,596
TOTAL NOTATING TOTAL TOURISES	200,000
Revenue from Other Sources	General
5100 Long Term Debt Financing Sources	\$ -
5200 Interfund Transfers	-
5300 Sale (Loss) from Fixed Asset Disposal	-
5400 Resources - Beginning Fund Balance	812,372
Total Revenue from Other Sources	812,372
Grand Totals	\$ 64,228,924
Organy (Vidia	• 04,220,324

WEST LINN-WILSONVILLE SCHOOL DISTRICT SCHEDULE OF EXPENDITURES BY FUNCTION/OBJECT - GENERAL FUND

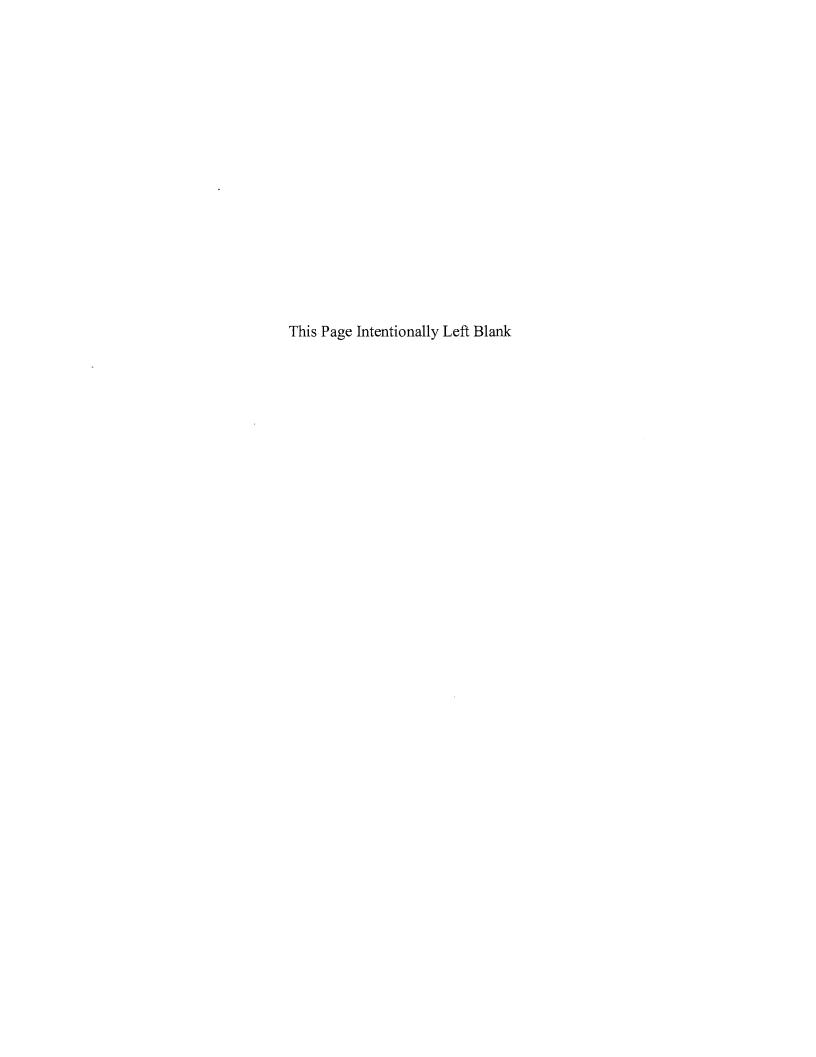
truction Expenditures		Incompression and the	SCORPAGICON BANGO	Object 180		Object 580	Object 580	
111 Primary, K-3	Totals \$ 8,758,489	\$ 6,041,688						Object 7 \$
112 Intermediate Programs	4,522,231		1,289,328	29,674	135,331	-	-	
113 Elementary Extracurricular	1,022,02	-		-	-	-	-	
121 Middle/Junior High Programs	7,273,804	4,894,022	2,048,774	136,524	194,176	-	308	
122 Middle/Junior High School Extracurricular	478,689	371,319	67,402	25,585	14,383	-		
131 High School Pragrams	8,472,743		2,327,939		400,276	1,588	2,153	
132 High School Extracurricular	1,269,852		158,120		84,434	7,900	25,829	
140 Pre-Kindergarten Programs	282,298	199,058	74,864		4,725	-	-	
210 Programs for the Talented and Gifted	412,586	116,705	78,694		26,793	-	-	
220 Restrictive Programs for Students with Disabilities	1,510,546	1,000,308	484,291	21,888	4,059	-	-	
250 Less Restrictive Programs for Students with Disabilities 260 Early Intervention	2,565,031	1,695,823	793,874	51,200	24,134	-	-	
271 Remediation	-	-	-	-	-	-	-	
272 Title I	-		-	-	-	-		
280 Alternative Education	40,977	27,742	13,235		-	-	-	
288 Charter Schools	1,047,141	27,885	13,919		-	-	-	50
291 English Second Language Programs	560,117	394,408	162,438		1,375	-		
292 Teen Parent Program	-	-	-	-	-	-	-	
293 Migrant Education		-	-	-	-	-	-	
294 Youth Corrections Education			_	-	-	-	-	
299 Other Programs	219,984	125,505	45,623	30,545	10,254	7,643	414	
300 Adult/Continuing Education Programs		-	-	-	-	-	-	
400 Summer School Programs	54,591		8,384		530	-	-	
Total Instruction Expenditure	s \$ 37,469,080	\$ 24,483,320	\$ 10,028,987	\$ 1,750,806	\$ 1,110,131	\$ 17,131	\$ 28,705	\$ 50
port Services Expenditures	Totals	Object 100	Object 208	Object 180	Object 490	Object \$80	Object 580	Object
10 Attendance and Social Work Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$
20 Guidance Services	1,261,476	875,145	379,472		4,813	-	1,771	
30 Health Services	220,090	140,252	59,490		14,573	-	249	
40 Psychological Services	441,763	315,407	119,884	5,701	711	-	-	
50 Speech Pathology and Audiology Services	777,995	568,611	195,507	9,239	4,639	-	-	
60 Other Student Treatment Services	-	-	-	-	-	-	-	
90 Service Direction, Student Support Services	325,304	196,550	89,099	27,335	12,143	-	178	, ,
10 Improvement of Instruction Services	328,362	125,407	37,260	110,991	54,228	-	476	
11 Instructional Services Dir.	198,761	140,219	42,606	15,936	-	-	~	
15 District Music	120	-		120	-	-	-	
18 Professional Development Classified	3,132		-	3,132	-	-	-	
19 Professional Development Teachers	60,228	15,957	1,975		-	-		
22 Libraries	1,279,084	838,309	370,421	470	69,884	-		
23 Audio Visual	53,503	-	-	7,924	45,578	· ·		
30 Assessment & Testing	107.070	-	405.070	-	-		-	
40 Instructional Staff Development	435,672	-	435,672	- 00.705	-	-	40.057	
10 Board of Education Services	92,658	200 000	- 00 505	80,725	980	-	10,953	
20 Executive Administration Services	395,410	200,898	80,595	83,824	28,588		1,505	
10 Office of the Principal Services	3,685,051	2,442,801	1,052,278	154,646	33,891	<u> </u>	1,435	
90 Other Support Services - School Administration	423,525		26.280	19,770	- 51	<u> </u>	277 650	
10 Direction of Business Support Services	423,525	89,665 272,632	36,389 129,498	11,760	7,564	•	277,650	
20 Fiscal Services 35 Building Acquisition and Construction and I.M.	421,433	212,002	125,430	11,700	7,364	-	-	
40 Operation and Maintenance of Plant Services	444,510	269,679	118,401	54,901	1,124	 	405	
42 Care and Upkeep of Buildings	4,806,625	1,384,786	709,833	2,368,420	343,586	- :	400	
43 Care and Upkeep of Grounds	347,638	162,338	87,336	50,310	41,679	5,790	185	
44 Maintenance	708,585	432,437	206,926	24,492	44,695	3,700	35	
45 Vehicles	78,358	- 102,401	-	16,053	62,305	-	-	
52 Vehicle Operation Service	2.872,532	-	_	2,872,532	-	<u> </u>		
58 Transportation Special Ed.	848,756		-	848,756	-	-	-	
70 Internal Services	177,021	72,206	38,425	66,055	335	-	-	
10 Disaction of Control Support Sonices					-		-	
Planning, Research, Development, Evaluation Services, Grant Writing and								
Statistical Services			-				-	
30 Information Services	206	-	-		206	-	-	
40 Staff Services	307,964	184,662	80,771		18,241	<u> </u>	-	
50 Technology Services	721,802	341,549	155,123		205,110	-	200	
70 Records Management Services		-	-	-		-	~	
90 Other Support Services - Central	4.070.055	240 202	700 053	-	-		-	
00 Supplemental Retirement Program	1,078,955	318,302	760,653	2 0 5 2 7 2 5 2				•
Total Support Services Expenditure				\$ 6,925,300	\$ 994,924	\$ 5,790		\$
rprise and Community Services Expenditures	Tetals	Object 180	Object 204	Object 300	Object 480	Object S86	Object 690	Object
00 Food Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
00 Other Enterprise Services	-	•			-		-	
00 Community Services		-			-	-	-	
00 Custody and Care of Children Services	-	•	•	•	-	-	- 1	
Total Enterprise and Community Services Expenditure	s \$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$
lities Acquisition and Construction Expenditures	fetals	Object 188	Object 208	Object 180	Object 400	Object \$80	Object \$80	Object
10 Service Area Direction		\$ -	\$ -	\$ -	S -	\$ -		\$
20 Site Acquisition and Development Services	-	-	-	-		-	-	
50 Building Acquisition, Construction, and Improvement Services		-	-			-		
90 Other Facilities Construction Services	-	-	_	-		-	-	
		\$ -	\$ -	\$ -	\$ -	\$ -		\$
Total Facilities Acquisition and Construction Expanditure		·				•		•
Total Facilities Acquisition and Construction Expenditure	The second secon	Object 190	Ots ect 208	Object 180	Object 498	Object 380	Object 680	Object
r Uses Expenditures	Totals		\$ -	\$ 1,250	\$ -	\$ -	\$ 180,707	
er Uses Expenditures 00 Debt Service	\$ 181,957							75
er Uses Expenditures 00 Debt Service 00 Transfers of Funds		-		-	-	-	-	
er Uses Expenditures 00 Debt Service 00 Transfers of Funds 00 Apportionment of Funds by ESD	\$ 181,957 70,000	-	-			-	-	70
er Uses Expenditures 00 Debt Service 00 Transfers of Funds 00 Apportionment of Funds by ESD 00 PERS UAL Bond Lump Sum	\$ 181,957 70,000 - 1,954,637	-		-		-	1,954,637	
Total Facilities Acquisition and Construction Expenditure ner Uses Expenditures 100 Debt Service 200 Transfers of Funds 300 Apportionment of Funds by ESD 400 PERS UAL Bond Lump Sum Total Other Uses Expenditure:	\$ 181,957 70,000 - 1,954,637	-	-	-		-	-	\$

WEST LINN-WILSONVILLE SCHOOL DISTRICT NO. 3JT CLACKAMAS COUNTY, OREGON

SUPPLEMENTAL INFORMATION
As Required by The Oregon Deptment of Education
For The Year Ended June 30, 2007

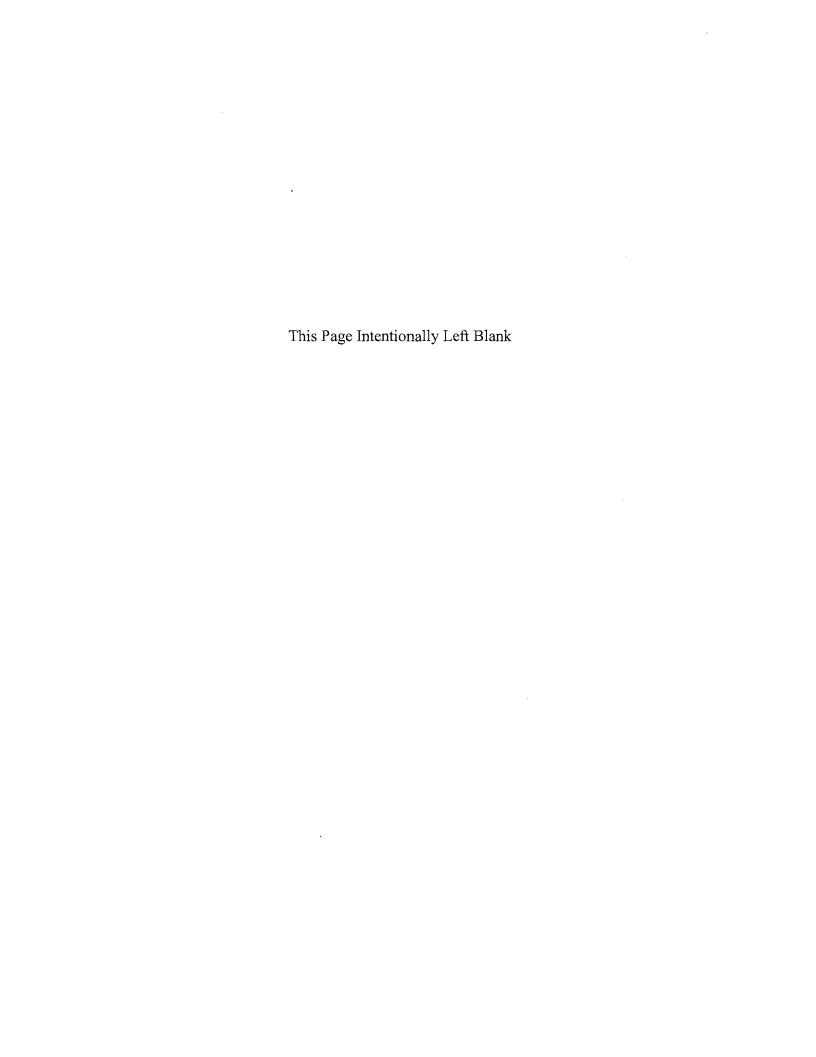
A.	Energy bills for heating	- all funds:			Object	ts 325 and 326
				Function 2540	\$	1,542,534
				Function 2550		0
В.	Replacement of equipr	nent - General Fund:				
	Include all General Fur	nd expenditures in Object 542, exce	ept for the following	exclusions:		Amount
	Exclude these function	s:				
	1113, 1122 & 1132	Co-curricular activities	4,150	Construction	\$	0
	1,140	Pre-kindergarten	2,550	Pupil transportation		
	1,300	Continuing education	3,100	Food service		
	1,400	Summer school	3,300	Community services		

Statistical Section



WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J CLACKAMAS COUNTY, OREGON

STATISTICAL SECTION



Statistical Section

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents	<u>5</u>	Page
Fin	nancial Trends	
	These schedules contain trend information to help the reader understand how the District's financial performace and well-being have changed over time.	47
Rev	penue Capacity	
	These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	50
Del	bt Capacity	
	These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	55
Der	mographic and Economic Information	
	These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	58
Оре	erating Information	
	These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	59

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB Statement 34 in 2002-03; schedules presenting government-wide information include information beginning in that year.



Condensed Statement of Net Assets

Last Five Fiscal Years

(accrual basis of accounting)

Governmental Activities	Fiscal year												
	2003			2004		<u>2005</u>		<u>2006</u>		2007			
Assets													
Current and other assets	\$	82,608,379	\$	112,273,115	\$	75,063,440	\$	49,996,892	\$	54,020,714			
Prepaid PERS unfunded actuarial liability		-		-		-		-					
Net capital assets		100,620,543		113,695,823		147,835,489		171,507,759		167,796,816			
Total assets		183,228,922		225,968,938		222,898,929		221,504,651		221,817,530			
Liabilities													
Long-term debt outstanding		157,772,237		196,767,766		188,903,069		180,107,776		170,434,985			
Prepaid PERS unfunded actuarial liability outstanding		-		-		-		-					
Other liabilities		6,491,152		8,176,562		9,740,146_		6,935,527		12,122,461			
Total liabilities		164,263,389		204,944,328		198,643,215		187,043,303		182,557,446			
Net Assets													
Invested in capital assets, net of related debt		14,656,512		20,366,412		28,889,967		65,166,761		40,223,047			
Restricted for: Debt Service						3,141,291		2,954,391		3,324,655			
Unrestricted		1,761,244		658,198		(7,775,544)		(33,659,804)		(3,974,199)			
Total Net Assets	\$	16,417,756		21,024,610		24,255,714	_\$	34,461,348		39,573,503			

Note:

Changes in Net Assets Last Five Fiscal Years

(accrual basis of accounting)

Governmental Activities	Fiscal year											
		2003		2004		2005		2006		2007		
Expenditures												
Instruction	\$	33,905,376	\$	35,492,665	\$	38,656,948	\$	38,347,498	\$	44,209,456		
Support services		19,179,034		19,800,606		20,811,534		21,962,806		25,283,384		
Enterprise and Community Services		1,652,223		1,884,698		1,997,921		2,045,144		2,419,485		
Non-capital facilities maintenance &												
replacement		1,379,436		86,168		-		-				
Interest and fees on long-term debt		5,551,137		4,813,531		6,262,943		8,315,888		8,259,152		
Total expenditures	·····	61,667,206		62,077,668		67,729,346		70,671,336		80,171,477		
Program Revenues												
Charges for services		2,649,976		2,732,738		2,509,632		2,795,934		2,942,968		
Instruction		-		-		-		-				
Support services		•		-		-		-				
Enterprise and Community Services		-		-				-				
Operating grants and contributions		2,402,192		2,474,175		2,878,652		3,069,900		3,314,862		
Instruction		-		-		-		-				
Support services		-		-		-		-				
Enterprise and Community Services				-				-				
Total program revenues		5,052,168		5,206,913		5,388,284		5,865,834		6,257,830		
Net (Expenditures)		(56,615,038)		(56,870,755)		(62,341,062)		(64,805,502)		(73,913,647)		
General Revenues												
Property taxes		31,163,390		33,403,772		35,389,208		38,622,717		41,982,666		
State School Fund		21,676,035		26,125,868		24,556,149		28,111,908		31,341,677		
Investment earnings		334,120		1,006,349		971,582		924,818		1,171,599		
Other		1,037,546	•	941,620		4,918,708		4,813,585		4,529,860		
Gain on disposal of capital assets												
Total general revenues	-	54,211,091		61,477,609		65,835,647		72,473,028		79,025,802		
Change in Net Assets	_\$_	(2,403,947)	\$	4,606,854	_\$_	3,494,585	\$	7,667,526	_\$_	5,112,155		

Note:

Fund Balances of Governmental Funds Last Ten Fiscal Years

(modified accrual basis of accounting)

				Fis	scal years 1998-20	002			
	<u>1998</u>		<u>1999</u>		2000		2001	2002	
Fund Balances (Deficit)									
Reserved, reported in									
General Fund	\$	-	\$ -	\$	-	\$	-	\$	-
Debt service funds		4,420,771	4,527,758		3,577,357		3,793,580		3,836,150
Unreserved, reported in									
General Fund		1,172,209	1,050,141		897,131		2,058,946		2,141,630
Special revenue funds		333,000	92,051		308,406		250,347		46,025
Capital projects funds		63,077,930	38,538,387		15,375,186		2,665,898		164,006
Total fund balances	\$	69,003,910	\$ 44,208,337	\$	20,158,080	\$	8,768,771	\$	6,187,811

•	 			Fis	scal years 2003-2	007			
	<u>2003</u>		2004		<u>2005</u>		<u>2006</u>		<u>2007</u>
Fund Balances (Deficit)									
Reserved, reported in									
General Fund	\$ -	\$	-	\$	-	\$	-	\$	66,402
Debt service funds	2,540,585		3,943,605		3,141,291		2,954,391		3,324,655
Unreserved, reported in									
General Fund	1,470,692		2,717,453		1,020,304		790,382		1,743,775
Special revenue funds	70,504		51,653		65,772		196,097		(79,268)
Capital projects funds	70,612,018		55,964,637		21,402,101		1,155,172		679,273
Total fund balances	\$ 74,693,799	\$	62,677,348	\$	25,629,468	\$	5,096,042	\$	5,734,837

Changes in Fund Balance of the General Fund Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal year							
		<u>1998</u>		1999		2000		<u>2001</u>
Revenues								
Local Sources:								
Current and Prior Taxes	\$	13,369,784	\$	13,826,596	\$	14,686,068	\$	17,547,764
Charges for Service		397,205		334,244		367,238		413,735
Investment Earnings		566,940		424,593		453,153		659,091
Other Local Sources		592,285		580,049		737,169		948,442
Intermediate Sources:		724		-		485		17,212
State Sources:		22,440,190		23,911,210		25,747,587		26,603,070
Federal Sources		138,708		125,111	_	114,883		67,169
Total revenues		37,505,836		39,201,803		42,106,583		46,256,483
Expenditures								
Current Operating								
Instruction		23,955,185		25,190,015		25,955,069		28,149,465
Support services		12,937,691		13,991,892		16,176,688		16,658,598
Debt Service	***************************************	222,662		130,583		120,830		239,220
Total expenditures		37,115,538		39,312,490		42,252,587		45,047,283
Excess (deficiency) of revenues								
over (under) expenditures		390,298		(110,687)		(146,004)		1,209,200
Other Financing Sources (Uses)								
Transfers in		-		-		-		-
Transfers out		(10,000)		-		-		(5,000)
Sale of Fixed Assets		-		-				-
Total other financing sources (uses)		(10,000)						(5,000)
Net change in fund balances		380,298	\$	(110,687)	\$	(146,004)	\$	1,204,200
Ratio of Total Debt Service to Total Noncapital Expenditures		0.0060		0.0033		0.0029		0.0053

ear	
	ear

							1 150011 7 00				
	2002		2003		2004		2005		<u>2006</u>	-	2007
\$	18,419,649	\$	20,869,760	\$	22,013,568	\$	19,835,421	s	26,166,394	\$	28,172,141
Ψ	487,738	Ψ	525,622	Ψ	656,797	Ψ	619,490	J	763,262	Ψ	830,639
	216,508		168,950		126,805		217,525		397,120		708,160
	1,190,029		1,080,658		1,206,576		5,161,028		1,433,564		1,255,734
	20,640		15,233		17,619		15,386		7,356		17,550
	28,542,128		22,120,091		26,318,728		25,454,757		29,450,704		32,225,732
	199,361		194,214		270,538		205,530		233,776		206,596
	49,076,053		44,974,528		50,610,631		51,509,137		58,452,176		63,416,552
	30,252,980		30,185,016		30,970,934		33,964,564		35,395,193		37,463,289
	18,563,079		18,013,979		18,326,190		19,192,064		21,397,104		22,802,271
	94,649		249,977		-		-		1,832,811		2,136,594
	_	-		***********				-			
	48,910,708		48,448,972		49,297,124		53,156,628		58,625,108		62,402,154
	165,345		(2.474.444)		1 212 507		(1.647.401)		(172.022)		1,014,398
	103,343		(3,474,444)		1,313,507		(1,647,491)		(172,932)		1,014,398
	-		-		7,824		-		-		
	(81,000)		-		(75,000)		(75,000)		(35,000)		(70,000)
			2,794,225		1,610						
							(== 000)		/= = 000\		(=0.000)
	(81,000)		2,794,225		(65,566)		(75,000)		(35,000)		(70,000)
\$	84,345	\$	(680,219)	\$	1,247,941	\$	(1,722,491)	\$	(207,932)		944,398
	0.0019		0.0052		-		_		0.0323		0.0355

Assessed Values of Taxable Property within School District No. 3JT Boundaries Last Ten Fiscal Years

Fiscal Year	Assessed	Value			Real Market	Value		
Ending				Total Direct				AV as a % of
June 30	Real Property	Personal Property	Total Assessed Value	_Tax Rate *	Real Property	Personal Property	Total Real Market Value	RMV
1998	2,623,929,313	123,816,099	2,747,745,412	6.09	3,466,221,020	163,561,558	3,629,782,578	75.7
1999	2,785,688,417	110,882,373	2,896,570,790	7.56	3,714,251,221	147,847,164	3,862,098,385	75.0
2000	3,006,075,959	123,238,059	3,129,314,018	6.74	4,040,424,676	165,642,553	4,206,067,229	74.4
2001	3,256,643,456	103,261,391	3,359,904,847	8.03	4,359,629,791	138,234,794	4,497,864,585	74.7
2002	3,402,833,262	117,529,407	3,520,362,669	8.00	4,531,069,590	156,497,213	4,687,566,803	75.1
2003	3,644,403,999	100,732,613	3,745,136,612	8.47	4,938,216,801	136,494,055	5,074,710,856	73.8
2004	3,868,580,367	103,118,237	3,971,698,604	8.59	5,241,978,817	139,726,609	5,381,705,426	73.8
2005	3,995,380,006	112,018,400	4,200,996,289	8.62	5,655,571,079	154,935,546	5,810,506,625	72.3
2006	4,487,616,707	106,868,396	4,690,368,420	8.91	6,315,491,873	146,999,169	6,462,491,042	72.6
2007	4,760,908,645	148,994,974	4,909,903,619	9.11	7,397,850,604	148,994,974	7,546,845,578	65.1

Source:

Assessors office of both Clackamas and Washington Counties.

^{*} Per \$1,000 of Assessed Value



Direct and Overlapping Property Tax Rates Last Ten Fiscal Years

District Direct Rates

Fiscal Year	General Tax Fiscal Year Permanent Rate ¹		Local Option	-	Bond (RS)	Obliga	eneral ation Debt ce Bonds	Total Direct Tax Rate		
1998	\$	4.20		\$	-	\$	1.89	\$	6.09	
1999		4.20					3.36		7.56	
2000		4.80					1.94		6.74	
2001		4.79	0.59				2.65		8.03	
2002		4.80	0.59				2.61		8.00	
2003		4.84	0.85				2.78		8.47	
2004		4.84	0.84				2.91		8.59	
2005		4.84	0.97		-		2.81		8.62	
2006		4.84	1.21		-		2.86		8.91	
2007		4.84	1.33		-		2.94		9.11	

Overlapping Total Property Tax Rates

Fiscal Year	City of West Linn		ity of sonville	Con	ckamas nmunity ollege	ockamas Sounty	C Edi	ckamas ounty ucation rice Dist	tin Valley & Rescue	Metropolitan Service District		
1998	\$	2.29	\$ 2.63	\$	0.56	\$ 2.97	\$	0.37	\$ 1.54	\$	0.29	
1999		2.31	2.70		0.62	2.97		0.37	1.53		0.36	
2000		2.54	2.68		0.62	2.96		0.37	1.56		0.23	
2001		4.07	2.67		0.62	2.97		0.37	1.59		0.34	
2002		3.92	2.93		0.86	2.40		0.37	1.83		0.32	
2003		3.84	2.52		0.74	2.40		0.36	1.60		0.27	
2004		4.28	2.36		0.74	3.15		0.36	1.77		0.27	
2005		3.01	2.42		0.78	2.40		0.36	1.59		0.25	
2006		3.02	2.37		0.76	2.40		0.36	1.77		0.27	
2007		3.26	2.32		0.73	2.40		0.36	1.82		0.27	

Permanent tax rates are determined by the State of Oregon Constitution and State Statutes. Existing districts cannot increase their permanet rate authority. Local option levies are limited to five years for operations and ten years for capital projects. Elections for local option levies must meet the double majority election test, except in the November general election in even numbered years. Rates for debt service are set based on each year's requirements.

Local Option taxes are assessed at \$1.50 per thousand AV. The district-wide average rate for 2006-07 is \$1.33. Local option taxes are assessed on a property by property basis. Not all properties pay at the highest \$1.50 rate.

Source: Clackamas County Assessors Office

Port o	f Portland	T	ri-Met	City o	of Tualatin	shington ounty	•	of Lake swego
\$	0.07	\$	0.16	\$	3.38	\$ 2.60	\$	5.75
	0.08		0.15		3.00	2.56		5.82
	0.08		0.14		3.15	2.54		5.38
	0.07		0.13		2.90	2.52		5.45
	0.07		0.14		2.75	2.96		5.46
	0.07		0.12		3.06	2.91		5.40
	0.07		0.10		2.01	2.90		6.06
	0.06		0.11		2.75	2.87		5.68
	0.07		0.11		2.81	2.84		5.62
	0.07		0.10		2.13	2.87		5.32

52A

Principal Property Tax Payers for West Linn-Wilsonville School District Current Year and Ten Years Ago

Taxing District - School District

2007 1998 Percentage of Percentage of Taxable Assessed Total Taxable Assessed Taxable Assessed Total Taxable Value Rank Assessed Value Taxes Value Rank Assessed Value Taxpayer Ten Largest Taxpayers \$ 66,073,152 1,106,391 Xerox Corp 1 1.35% 55,044,000 875,467 **PGE** 2 1.12 Mentor Graphics 47,798,161 3 0.97 838,304 55,464,310 2 2.02 Goodman Financial Services 30,360,140 4 0.62 541,393 Bit Holdings Fifty-Seven Inc 26,317,711 5 0.54 469,803 NW Natural Gas 24,444,500 6 0.50 374,088 CH Realty III/Portland Industrial 24,131,948 7 0.49 423,948 CB Richard Ellis Investors 21,943,796 8 0.45 367,229 Simpson Realty Group 21,556,593 9 0.44 383,311 SPM-Wilsonville LLC 21,331,375 0.43 380,791 10 2.08 Tektronix (purchased by Xerox) 57,365,050 1 Capital Realty Corp 23,266,030 3 0.85 Payless Drug Stores NW 21,469,810 4 0.78 WCB Nine LTD Partnership 19,759,190 5 0.72 Nike, Inc 18,577,150 6 0.68 7 RFD Publications Inc 15,073,740 0.55Security Capital IND Trust 8 0.52 14,234,960 Sysco/Continental Food Serv 9 0.47 13,044,530 ERP Operating LTD Partnership 12,067,910 10 0.44 5,760,725 Subtotal of Ten Largest Taxpayers 339,001,376 5.57 250,322,680 9.11 All Other Taxpayers 2,499,755,719 90.89 4,570,902,243 94.43 Total All Taxpayers 4,909,903,619 100.00% 2,750,078,399 100.00%

Source:

Clackamas County, Division of Assessment and Taxation

Property Tax Levies and Collections Last Ten Fiscal Years

Collected within the Fiscal Year

		Net Taxes Le		of the Levy						Total Collections to Date			
_	Fiscal Year Ending June 30		or the Fiscal Year		Amount	Percentage of Levy	-	ollections for Prior Years	2000000	Amount	Percentage of Levy		
	1998	\$	18,713,807	\$	17,442,145	93.20%	\$	977,924	\$	18,420,069	98.43%		
	1999		23,859,056		22,204,682	93.07		896,861		23,101,543	96.83		
	2000		21,205,600		19,730,833	93.05		1,049,934		20,780,767	98.00		
	2001		27,071,096		25,095,644	92.70		995,748		26,091,392	96.38		
	2002		28,318,910		26,329,933	92.98		1,172,368		27,502,301	97.12		
	2003		31,824,472		29,878,169	93.88		1,468,751		31,346,920	98.50		
	2004		34,286,516		32,323,178	94.27		1,165,200		33,488,378	97.67		
	2005		36,627,991		35,654,134	97.34		1,120,001		36,774,135	100.40		
	2006		39,681,166		38,684,902	97.49		875,157		39,560,059	99.69		
	2007		42,965,992		40,712,129	94.75		1,005,602		41,717,731	97.09		

Note:

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

Outstanding Debt by Type Last Five Fiscal Years

(dollars in thousands, except per capita)

Governmental Activitiies

Fiscal Year	General Obligation Bonds		Ot	Pension Oligation Bonds	tal Primary	Per Capita		
2002	\$	89,965	\$	-	\$ 89,965	\$	2,362	
2003		157,772		-	157,772		4,072	
2004		151,307		42,180	193,487		4,841	
2005		143,472		42,180	185,652		4,603	
2006		134,972		42,180	177,152		4,367	
2007		125,412		42,180	167,592		4,081	

Note: See Demographic and Economic Statistics for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Direct and Overlapping Governmental Activities Debt As of June 30, 2007

	Net Property-tax	Percent	Overlapping
Overlapping Issuer	Backed Debt ¹	Overlapping	Debt
City of West Linn	9,130,000	99.05%	9,043,265
Clackamas Community College	42,810,000	21.05%	9,011,505
METRO	226,593,256	3.93%	8,905,115
Clackamas County	49,990,000	15.31%	7,653,469
Tri-Met	68,900,000	2.93%	2,018,770
Tualatin Valley Fire & Rescue Dist.	2,850,000	13.27%	378,195
City of Tualatin	12,110,000	2.52%	305,172
City of Wilsonville	230,000	75.18%	172,914
Washington County	42,560,000	0.20%	85,120
Portland Community College	63,430,000	0.09%	57,087
Subtotal, overlapping debt	\$ 509,473,256		37,630,612
Direct District net property-tax backed debt	\$ 125,412,238	100%	125,412,238
Total direct and overlapping debt	\$ 634,885,494		\$ 163,042,850

Source:

Oregon State Treasury, Debt Management Division

¹ Net Property-tax Backed Debt includes all General Obligation (GO) bonds and Limited-tax GO bonds, less Self-supporting Unlimited-tax (GO) and Self-supporting Limited-tax GO debt.

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

(dollars in thousands, except per capita)

Genera	Bond	led .	Del	b
--------	------	-------	-----	---

Fiscal Year	General Obligation Bonds	Less Amount Available for Repayment	Net General Obligation Bonds Outstanding	Percentage of Actual Taxable Value of Property (1)	Stud	G.O. Debt per dent Average Membership (2)				
1998	\$ 102,285,000		\$ 102,285,000	3.72%	\$	14,612				
1998	100,045,000		100,045,000	3.45%	Þ	14,012				
2000	97,960,000		97,960,000	3.13%		13,676				
2000	94,305,000		94,305,000	2.81%		13,070				
2001	89.965,000		89,965,000	2.56%		12,153				
2002	157,772,238		157,772,238	4.21%		20,872				
2003	151,307,238		151,307,238	3.81%		19,833				
2004	143,472,238		143,472,238	3.42%		18,698				
2005	134,972,238	_	134,972,238	2.88%		17,278				
2007	125,412,238	_	125,412,238	2.55%		15,696				
2007	123,112,230		123,112,230	2.3370		15,070				
		Other Governme	ntal Activities Debt							
				Small Scale						
Fiscal	Limited Tax G.O.	Certificates of	Refunding Special	Energy Loan				Student		
Year	Refunding Bonds	Participation	Obligations	Programs	Tota	al District (3)	A	DM ⁽²⁾	Per (Capita ⁽⁴⁾
1998					\$	102,285,000	\$	14,612	\$	2,928
1999						100.045,000		14,211	•	2,793
2000						97,960,000		13,676		2,720
2001						94,305,000		13,049		2,536
2002						89,965,000		12,153		2,362
2003						157,772,238		20,872		4,072
2004			\$ 42,180,000			193,487,238		25,362		4,841
2005			42,180,000			185,652,238		24,196		4,603
2006			42,180,000			177,152,238		22,677		4,367
2007										

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

 $^{^1}$ See schedule titled "Assessed Values of Taxable Property ..."

² Student enrollment data can be found on the sheet titled "Operating Statistics"

³ Includes net general bonded debt and other governmental activities debt.

⁴ Per capita is calculated using the estimated District population of 41,065 for 2006-07

Legal Debt Margin Information Last Ten Fiscal Years

					Legal Debt Mar Leal Market Value Debt Limit (7.95%)		r Fiscal Year 2007		\$ 7,546,845,578 599,974,223	
		Amount of Debt Applicable to Debt Limit: General Obligation Bonded Debt Less: Amount Available in Debt Service Funds								
	Amount of Debt Applicable to Debt Limit Legal Debt margin								125,412,238 \$ 474,561,985	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 288,567,715 \$	307,198,793 \$	334,382,345 \$	357,580,234	\$ 372,661,561	\$ 403,439,513	\$ 427,845,581	\$ 461,935,276	513,768,038	599,974,223
Total net debt applicable to limit Legal debt margin	102,285,000 \$ 186,282,715 \$	100,045,000	97,960,000 236,422,345 \$	94,305,000	89,965,000 \$ 282,696,561	157,772,238 \$ 245,667,275	151,307,238 \$ 276,538,343	143,472,238 \$ 318,463,038		125,412,238 474,561,985
Total net debt applicable to the limit as a percentage of debt limit		32.57%	29.30%	26.37%	24.14%	39.11%	35.36%	31.06%	Account California California	20.90%

ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Aggregates are governed by real market values of all taxable properties within the District based on the following:

Allowable Percentage of Real Market Value:

A Kindergarten through eighth grade, 9 x .0055

Source

Ninth through twelfth, 4 x .0075

Allowable Percentage

Allowable Percentage

4.95%

Allowable Percentage

7.95%

A For each grade from kindergarten to eighth for which the District operates schools, fifty-five on-hundredths of one percent (.0055) of the real market value.

^B For each grade from ninth to twelfth for which the District operates schools, seventy-five one-hundredths of one percent (.0075) of the real market value.

Demographic and Economic Statistics Last Ten Calendar Years

Clackamas County

		County Personal			County Construction
	District Population	Income (1) (thousands of	County Per Capita Personal	County Unemployment	Activity (3) (thousands of
Year	(Estimated)	dollars)	Income (1)	Rate (2)	dollars)
1998	34,931	9,934,008	29,433	4.0	220,124
1999	35,820	10,710,079	31,065	4.4	211,206
2000	36,018	11,309,126	32,237	4.0	221,002
2001	37,190	12,416,346	34,525	4.3	175,055
2002	38,082	12,300,729	35,171	6.2	185,807
2003	38,747	12,430,074	35,976	7.0	152,934
2004	39,970	12,396,552	36,011	6.8	169,105
2005	40,329	13,453,156	34,671	6.1	267,491
2006	40,570	N/A	N/A	5.4	314,152
2007	41,065	N/A	N/A	4.6	N/A

Sources:

¹ Bureau of Economic Analysis for Clackamas County. District-level data unavailable

 $^{^{2}\,\}mathrm{Oregon}$ Employment Department for Clackamas County. District-level data unavailable.

³ Clackamas County Building Department for Clackamas County. District-level data unavailable.

Full-time Equivalent District Employees by Type Last Two Fiscal Years

	Full-time Equ	ivalent Empl	oyees as of June 30 (1)
	<u>2007</u>	<u>2006</u>	
Instructional Staff	100.45		
Primary, K-3 Instruction	133.47	127.24	
Intermediate, 4-5 Instruction	67.98	64.86	
Middle School Instruction	98.42	97.81	
High School Instruction	109.24	105.81	
High School Activities	1.88	0.00	
Pre-Kindergarten Instruction	4.94	4.75	
Talented & Gifted	2.45	2.00	
High Needs Students	38.69	38.50	
Emotionally Disturbed	0	0	
Resource Rooms	46.13	44.43	
Alternative Education	0.67	2.11	
Charter Schools	1.63	1.63	
English - Second Language	10.91	13.80	
CREST	2.50	0.00	
Subtotal Instructional Staff	518.91	502.94	
0 0 0			
Support Services Staff	10.70	10.00	
Counseling	19.30	19.30	
District Nurse	3.00	2.50	
Psychological Services	5.40	5.40	
Speech	9.85	9.05	
Special Services-Direction	4.00	4.00	
Curriculum Development	1.50	2.39	
Curriculum - Direction	0.54	0.54	
Libraries-Media	20.40	21.31	
Executive Administration	3.00	3.00	
Office of the Principal	42.60	41.10	
Business - Direction	1.00	0.00	
Fiscal Office	6.00	6.00	
Operations Direction	2.00	2.00	
Maintenance - Direction	2.00	0.00	
Care & Upkeep of Buildings	39.00	39.00	
Care & Upkeep of Grounds	5.00	0.00	
Maintenance	10.50	10.50	
Warehouse & Distribution	3.00	2.45	
Staff Services - Personnel	3.50	0.00	
Technology Services	8.00	8.00	
Subtotal Support Services Staff	189.59	176.54	
Total	700 50	670.49	
Total	708.50	679.48	

Source:

District Budget Office

Notes:

(1) General Fund Employees Only. Over time, ten fiscal years will be presented.

Operating Statistics Last Five Fiscal Years

Fiscal Year	Student Average	Charter Schools					Certified								Percentage Free &
Ending	Daily	Student Average	Ope	erating Expenses	Cos	st Per ADM	Staff FTE	ADM to Certified			Tc	hr Salary	T	chr Salary	Reduced per
June 30	Membership (1)	Daily Membership		(2)		(1)	(3)	Ratio (3)	Av	e Tchr Salary	Ra	nge-Low	Ra	ange-High	ADM
												,			
2002-03	7,559	100	\$	52,062,255	\$	6,887	409	18.2							
2003-04	7,629	100		53,273,191		6,983	413	18.2							
2004-05	7,673	100		57,273,929		7,464	431	17.6							
2005-06	7,812	160		63,042,721		8,070	445	17.2							
2006-07	7,990	180		67,349,626		8,429	454	17.2	\$	49,969	\$	31,368	\$	62,355	14.7

⁽¹⁾ Includes students at Three Rivers and Art Tech Charter Schools

Source:

District Records

⁽²⁾ Operating expenditures are all governmental fund expenditures less debt service and capital outlays.

⁽³⁾ Excludes charter school students and/or teachers

Principal Employers for the West Linn-Wilsonville School District Area (1) Current Year and Six Years Ago

		2006-07			2000-01		
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment	
Ten Largest Employers							
Xerox Corporation	1,666	1	11.0%	1,343	1	9.6%	
Mentor Graphics	1,113	2	7.3%	946	2	6.8%	
Hollywood Entertainment	759	3	5.0%	852	3	6.1%	
Precision Interconnect	614	4	4.1%				
Sysco Food Services of Portland	445	5	2.9%	440	5	3.1%	
Fry's Electronics, Inc.	278	6	1.8%	300	7	2.1%	
Rite Aid Distribution Center	266	7	1.8%	280	8	2.0%	
Infocus Corporation	250	8	1.6%	562	4	4.0%	
Nike USA, Inc.	240	9	1.6%	400	6	2.9%	
Oregon Glass Company	230	10	1.5%				
Milgard Manufacturing Inc.				250	9	1.8%	
GI Joes Inc.				182	10	1.3%	
Ten Largest Employers	5,861		ì1.28	5,555		9.90	

15,156

14,000

City of Wilsonville Employment 2006-07 2000-01

(1) City of Wilsonville only, City of West Linn not available Number of employees is listed as FTE (full-time equivalent)

Sources:

City of Wilsonville Business License Database

CAPITAL ASSET INFORMATION LAST FIVE FISCAL YEARS

			Fiscal Year			Buildings
	2003	2004	2005	2006	2007	(in years)
Schools						
Primary						
Buildings	7	7	7	7	7	46
Square Feet	422,119	422,119	446,982	446,982	446,982	
Capacity	3,465	3,465	3,719	3,382	3,382	
Membership (ADM)	3,483	3,554	3,560	3,482	3,375	
Percent Used	101%	103%	96%	103%	100%	
Middle						
Buildings	3	3	3	3	3	18
Square Feet	268,850	268,850	282,519	282,519	282,519	
Capacity	2,241	2,241	2,241	2,082	2,082	
Membership (ADM)	1,967	1,941	1,940	1,909	1,899	
Percent Used	88%	87%	87%	92%	91%	
High						
Buildings	2	2	2	2	2	37
Square Feet	400,206	400,206	400,206	500,631	500,631	
Capacity	2,717	2,717	2,717	3,291	3,291	
Membership (ADM)	2,445	2,521	2,446	2,638	2,508	
Percent Used	90%	93%	90%	80%	76%	
Other						
Buildings	2	2	3	3	3	6
Square Feet	4,802	4,802	7,442	7,442	7,442	
Administration						
Buildings	1	1	1	1	1	76
Square Feet	21,000	21,000	21,000	21,000	21,000	
Maintenance						
Buildings	3	5	5	5	5	13
Square Feet	23,220	40,020	40,020	40,020	40,020	

Source: West Linn-Wilsonville School District Department of Operations Statistics

Full-time Equivalent District Employees by Assignment/Function Last Two Fiscal Years

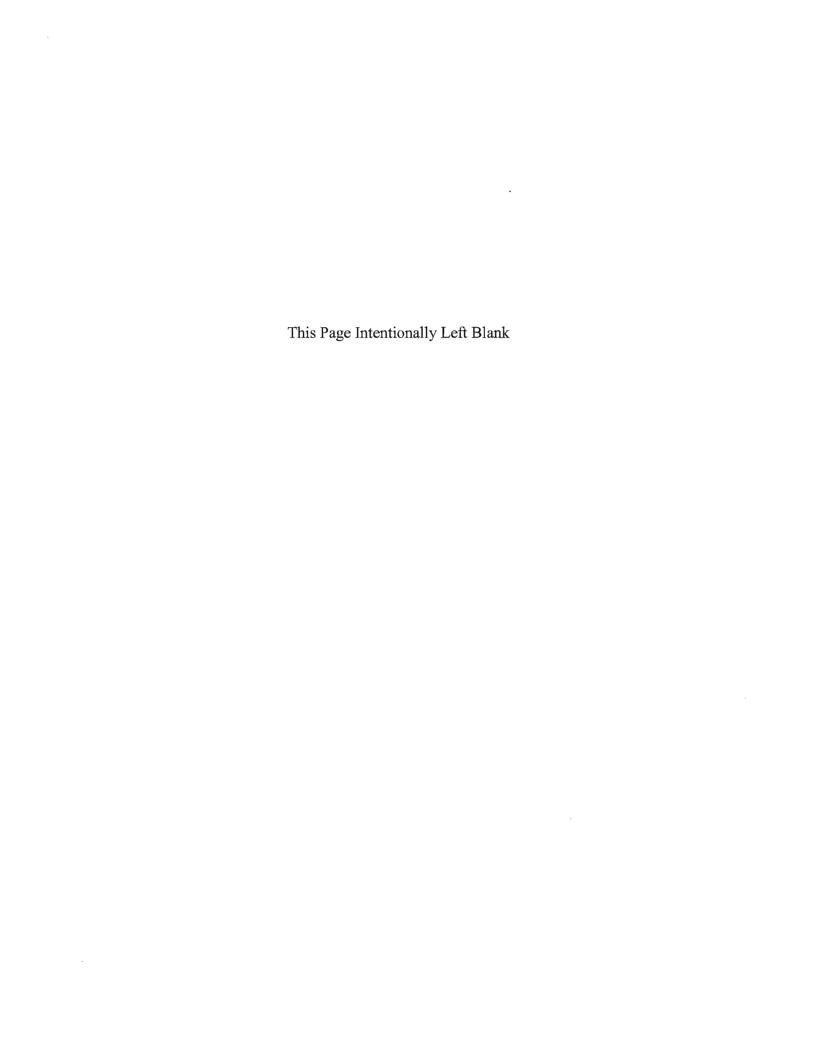
Assignment/Function	2007	<u>2006</u>
Instructional Staff		
Prekindergarten teachers	3.00	3.00
Elementary teachers K-5	159.70	158.35
Secondary teachers	196.66	193.27
Teachers of ungraded classes	53.08	50.32
Educational assistants	105.47	100.38
Instructional coordinators and supervisors	1.00	1.50
Subtotal Instructional Staff	518.91	506.82
Support Services Staff		
Guidance K-12	19.30	19.30
Librarians/media specialists	9.40	9.50
Library and media support staff	11.00	11.81
District administrators	3.54	3.54
District support staff	82.50	82.84
School administrators	21.00	21.60
School adminstrative support staff	21.60	19.50
Student services support staff	21.25	19.95
Subtotal Support Services Staff Staff	189.59	188.04
Total FTE	708.50	694.86

Note:

Data is for General Fund only. Data for fiscal years prior to 2005-06 not readily available. Over time, ten fiscal years of data will be presented.

Source:

District Budget Office



Audit Comments and Disclosures





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December 28, 2007

Oregon Administrative Rules 162-10-000 through 162-16-000 (the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy) enumerate the financial statements, schedules, 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 West Linn-Wilsonville School District 3J, Clackamas County, Oregon, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 28, 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 West Linn-Wilsonville School District 3J, Clackamas 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 the 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 of West Linn-Wilsonville School District 3J, Clackamas County, Oregon, for the year ended June 30, 2007, 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We noted 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, which are noted in our management letter dated December 28, 2007.

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

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.

This report is intended solely for the information and use of the board, audit committee, 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 to meet the audit requirements.

2006-2007 AND 2007-2008 BUDGETS

The budgets adopted for the current and ensuing fiscal year were examined during the audit. Based on our testing it was determined that budget preparation and adoption procedures followed were in compliance with the Oregon Local Budget Law.

BUDGET TRANSACTIONS

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2007, except as noted on page 22.

COLLATERAL SECURING BANK DEPOSITS

The deposits appeared to be adequately covered by federal depository insurance or certificates of participation at all times during 2006-2007, based upon our testing. At no time throughout the year were the deposits not fully collateralized. Deposits in the State Local Government Investment Pool are not required to be collateralized.

INVESTMENTS

The investments for the year ending June 30, 2007, were reviewed and appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

The procedures for awarding public contracts were reviewed and based upon our testing we found no instances of non-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

The 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 single audit section.

STATE SCHOOL FUND DISTRIBUTION INFORMATION

We have performed the procedures recommended by the Oregon Secretary of State, Audits Division, regarding with the requirements of ORS 327.013 as further defined by the Oregon State Department of Education pertaining to the calculations and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2007.

Based on the work described above, we have found no instances of noncompliance with the rules and regulations pertaining to the calculation and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2007, except for a few instances where the teachers experience report was incorrectly reported.

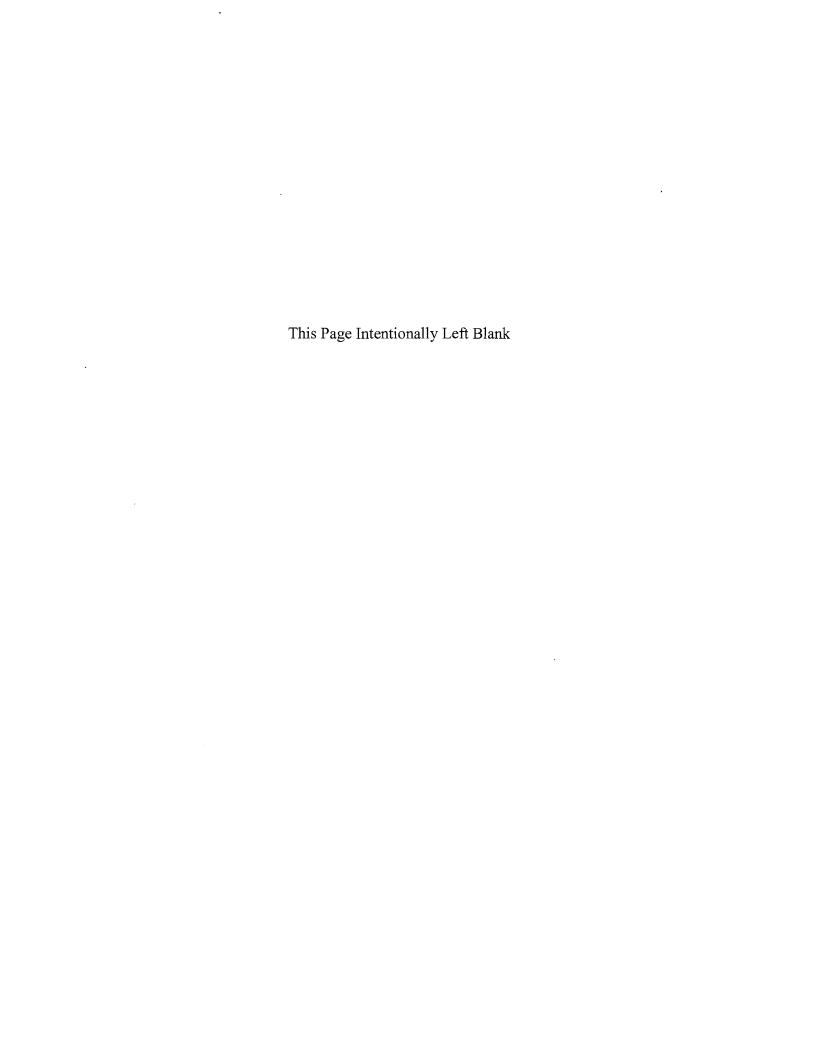
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STATE HIGHWAY

There were no programs funded from state highway funds during the year ended June 30, 2007.

Single Audit Section



Program Title U.S. Department of Education	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures
·				
Passed through Oregon Department of Education: Title I Grants to Local Educational Agencies	84.010A	01-26-010	07/01/05-09/30/06	\$ 399,143 (1)
Total Title i		,		399,143
Safe and Drug Free Schools and Communities - State G	84.186A	EE037408	07/01/05-09/30/06	18,575_
Charter Schools	84.282A	N/A	06/30/05-09/30/06	130,699
Title V Innovative Education	84.298A	EE030250	7/1/05-9/30/06	9,230
Title IID - Education thru Technology	84.318X	03-160	7/1/05-9/30/06	3,931
Title III - Language Instruction	84.365A	EE038499	7/1/05-9/30/06	33,146
Title IIA - Teacher Quality	84.367A	EE035988	7/1/05-9/30/06	148,845
IDEA Special Education - Grants to States	84.027B 84.027A	03/04-33 01/01-129	7/01/04-12/31/05 7/01/05-12/31/06	206,119 1,088,751
Total IDEA				1,294,870_
Passed thru Clackamas County ESD Title I Migrant Education	84.011A	EE038806	7/1/05-9/30/06	1,978
Vocational Education - Basic Grants to States	84.048A	EE029278	7/1/05-6/30/06	17,500_
Youth Transition Program	84.126A	84-803	7/1/05-6/30/06	39,062
Total Youth Transition Program				39,062
Total U.S. Department of Education				2,096,979

Program Title	Federal CFDA Number	Pass Through Entity Number	Period Covered	Expenditures
U.S. Department of Agriculture:				
Passed through Oregon Department of Education:				
Food Donation	10.550		7/1/05-6/30/06	85,776
Child Nutrition Cluster:				
School Breakfast Program	10.553		7/1/05-6/30/06	37,654 (1)
National School Lunch Program	10.555		7/1/05-6/30/06	278,016 (1)
Summer Food Service Program	10.559		7/1/05-6/30/06	10,340 (1)
Total Child Nutrition Cluster				326,010
Passed through Clackamas County, Oregon				
Federal Forest Fees	10.665		7/1/05-6/30/06	206,596
Total U.S. Department of Agriculture				618,382
TOTAL FEDERAL G	\$ 2,715,361			

⁽¹⁾⁼Major program

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December 28, 2007

To the Board of Directors West Linn-Wilsonville School District 3J 22210 SW Stafford Road Tualatin, Oregon 97062

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 Standards

We have audited the financial statements of West Linn-Wilsonville School District 3J as of and for the year ended June 30, 2007, and have issued our report thereon dated December 28, 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 West Linn-Wilsonville School District 3J'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 Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity'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. However, as discussed below, we identified certain 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We noted no significant deficiencies.

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 entity'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 West Linn-Wilsonville School District 3J'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*.

We noted certain matters that we reported to management of West Linn-Wilsonville School District 3J in a separate letter dated December 28, 2007.

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.

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December 28, 2007

To the Board of Directors West Linn-Wilsonville School District 3J 22210 SW Stafford Road Tualatin, Oregon 97062

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 West Linn-Wilsonville School District 3J 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. West Linn-Wilsonville School District 3J'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 West Linn-Wilsonville School District 3J's management. Our responsibility is to express an opinion on West Linn-Wilsonville School District 3J'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 Example Entity'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 West Linn-Wilsonville School District 3J's compliance with those requirements.

In our opinion, West Linn-Wilsonville School District 3J 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 West Linn-Wilsonville School District 3J 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 West Linn-Wilsonville School District 3J'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 Entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency 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 significant deficiencies.

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 entity'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.

Fally Rogers allo P.C. PAULY, ROGERS AND CO., P.C.

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3
CLACKAMAS 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 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

PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

None

PROGRAM TESTED AS MAJOR FOR THE YEAR ENDED JUNE 30, 2007:

Child Nutrition Cluster – CFDA# 10.553, 10.555 & 10.559 Title 1 – CFDA# 84.010

DOLLAR THRESHOLD FOR DISTINGUISHING BETWEEN TYPE A AND B PROGRAMS:

\$300,000

LOW-RISK AUDIT QUALIFICATION:

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of West Linn-Wilsonville School 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, *Audits 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.

