

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J

CLACKAMAS COUNTY, OREGON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended June 30, 2006

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J

CLACKAMAS COUNTY, OREGON

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

For the Year Ended June 30, 2006

Prepared by the Business Office

R. William Knowles
Business Manager

Jolene S. May
Accounting Supervisor

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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, 2006

	<u>Term Expires</u>
Mary Furrow, Board Chair	June 30, 2007
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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WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J
CLACKAMAS COUNTY, OREGON

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CLACKAMAS COUNTY, OREGON

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

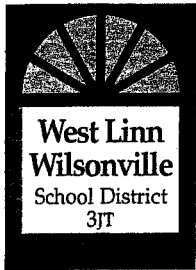
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Introductory Section

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West Linn-Wilsonville School District 3J

ADMINISTRATION BUILDING

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

October 27, 2006

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, 2006.

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 than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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, 2006, 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, 2006, 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.

REPORT CONTENTS

The Comprehensive Annual Financial Report is presented in five sections. These sections and their components are as follows:

The **Introductory Section** includes this Letter of Transmittal, the District's organizational chart, and the District's financial reporting awards.

The **Financial Section** includes the independent auditor's report, Management Discussion and Analysis, basic financial statements for the entity as a whole, notes to the basic financial statements, required supplemental information and supplemental information.

The **Statistical Section** includes government wide summary financial data, ten years of summary fund financial data, debt computations, and a variety of demographic, economic and general information.

The **Audit Comments and Disclosure Section** contains the disclosures required by the Minimum Standards or Audits for Oregon Municipal Corporations.

The **Single Audit Section** contains reports required by the Single Audit Act of 1984 and OMB Circular A-133, including the schedule of expenditures of federal awards.

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 Charter School is a component unit 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 40,570 in 2006. Enrollment as of September 30, 2006 was 8,315, 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 \$6.46 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 2005-06 was \$1.21 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.

Oregon has experienced one of the highest unemployment rates in the nation. The most recent rate of 5.4% is coming in line with the national average.

The past economic downturn has challenged legislators to try and find new ways to fund schools. Unlike most other industries, the K-12 public education sector has a presence in every community in Oregon and effects local economies in many ways. K-12 spending supports significant economic activity for workers and

businesses throughout Oregon. Given Oregon's weak economy and related budget shortfalls, policymakers are beginning to understand the relationship between public sector spending and local economies, as well as the economic consequences of their fiscal decisions. 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. The taxation base is not broad enough to raise the revenues needed for public education and other needed services the state must provide. Many people believe that Oregon must look for a more diverse tax structure to meet the state's future needs.

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. Only a small percentage of construction dollars remained at June 30, 2006 as most projects were 100% complete.

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, 2006 were \$924,818 down \$143,249 from the previous year. The decline in interest income reflected the reduced cash balance as capital construction projects were completed.

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 70 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 do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the District's pension arrangements and post employment benefits can be found in Note 7 and 8 on pages 28-29, 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, 2005. This was the thirteenth consecutive year that the district has achieved this prestigious award. In order to be awarded a Certificate of

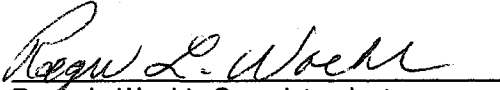
Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

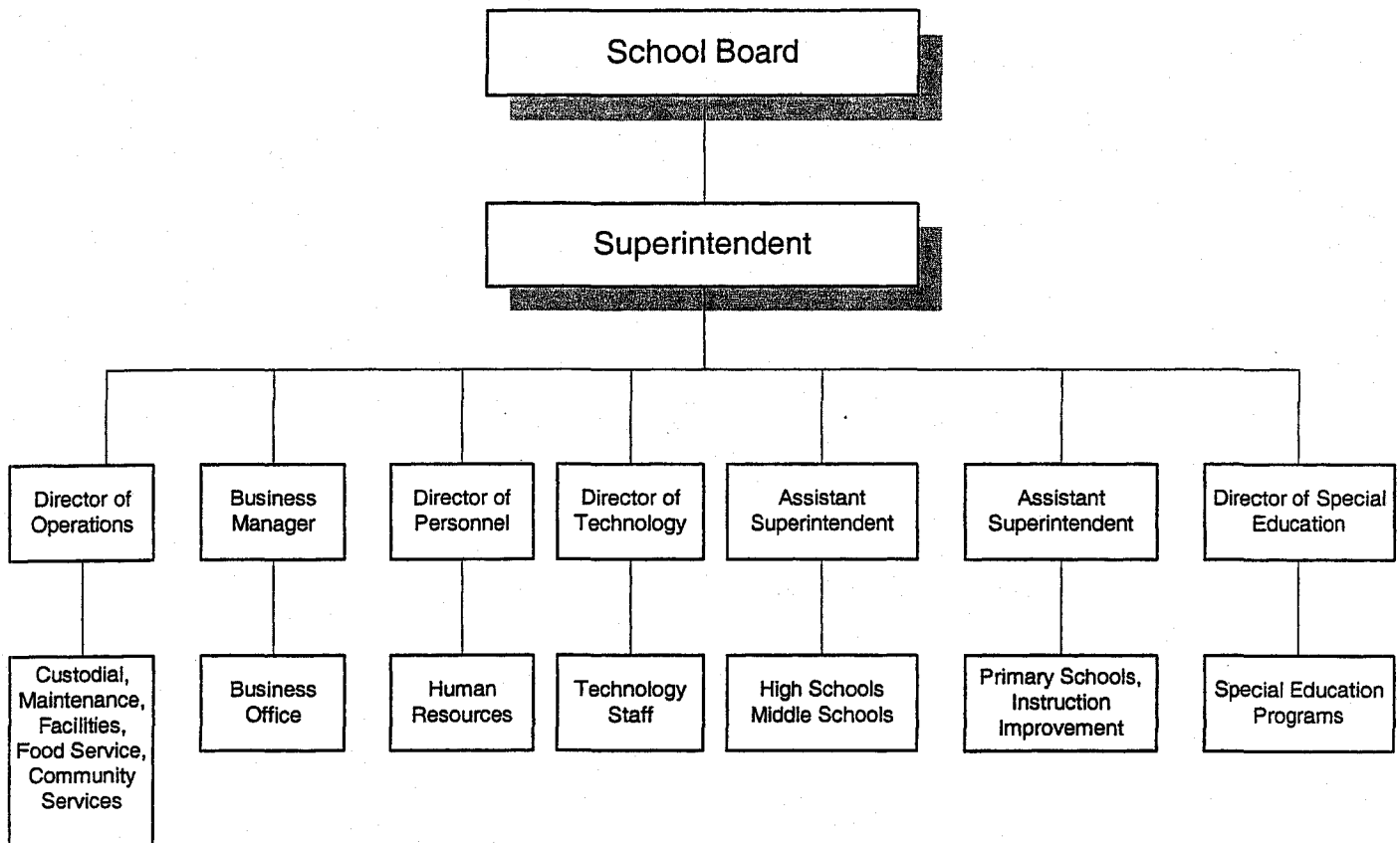
We wish to express our appreciation to the staff of the Business Office and members of other District departments who assisted in the preparation of this Comprehensive Annual Financial Report. We also wish to extend our appreciation to the members of the Board of Education, administrators, employees, 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,

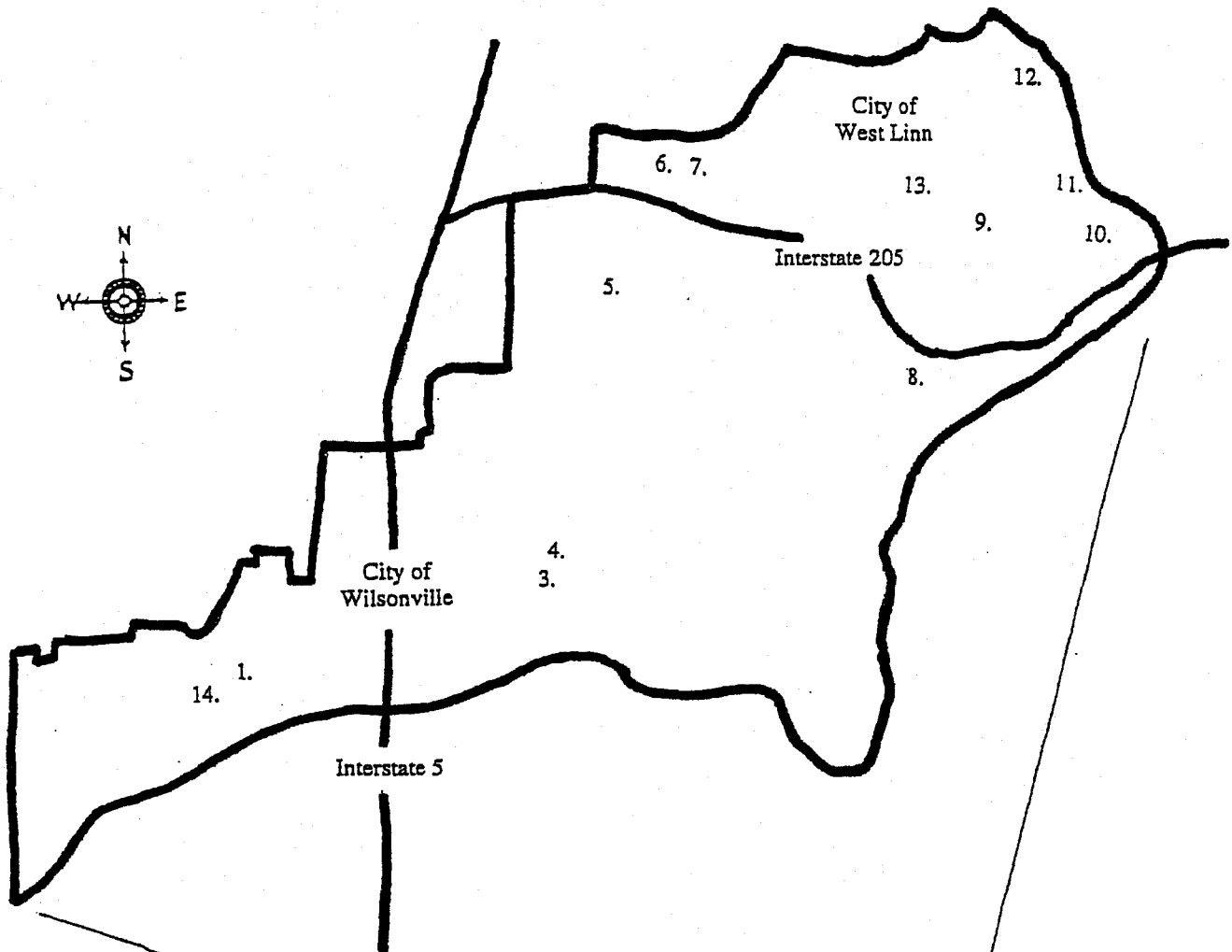

Roger L. Woehl, Superintendent


R. William Knowles, Business Manager

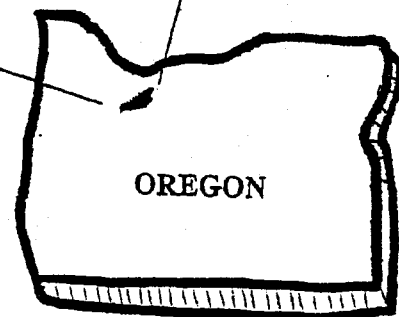
West Linn-Wilsonville School District 3JT
Organization Chart



WEST LINN-WILSONVILLE SCHOOL DISTRICT No. 3J



1. Inza R. Wood Middle
3. Wilsonville High
4. Boeckman Creek Primary
5. Administration Building
6. Athey Creek Middle
7. Stafford Primary
8. Willamette Primary
9. Sunset Primary
10. West Linn High
11. Bolton Primary
12. Cedaroak Park Primary
13. Rosemont Ridge Middle
14. Boones Ferry Primary



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, 2005

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

Executive Director

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

October 27, 2006

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

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Linn-Wilsonville School District 3J, Clackamas County, Oregon, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements 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 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 respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the West Linn-Wilsonville School District 3J, Clackamas County, Oregon, at June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the years 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 October 27, 2006, 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 Managements' 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.

The Schedule of Expenditures by Function/Object – General Fund and Supplemental Information on pages 43 through 45 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.

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


PAULY, ROGERS AND CO., P.C.

**WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

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, 2006.

FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets of the District exceeded its liabilities at June 30, 2006 by \$34,461,348.
- The District's governmental funds report combined ending fund balance of \$5,096,042.
- The District's net assets increased by \$10,205,634, including a prior period adjustment

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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 31 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 \$34,461,348 at June 30, 2006.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 48 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 5 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 :

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>
Current and Other Assets	\$ 49,996,892	\$ 75,063,440	\$ (25,066,548)
Capital Assets	<u>171,507,759</u>	<u>147,835,489</u>	<u>23,672,270</u>
Total Assets	<u>221,504,651</u>	<u>222,898,929</u>	<u>(1,394,278)</u>
Current Liabilities	6,935,527	9,740,146	(2,804,619)
Long-Term Liabilities	<u>180,107,776</u>	<u>188,903,069</u>	<u>(8,795,293)</u>
Total Liabilities	<u>187,043,303</u>	<u>198,643,215</u>	<u>(11,599,912)</u>
Net Assets:			
Invested in Capital Assets, net of related debt	65,166,761	28,889,967	36,276,794
Restricted for Debt Service	2,954,391	3,141,291	(186,900)
Unrestricted	<u>(33,659,804)</u>	<u>(7,775,544)</u>	<u>(25,884,260)</u>
Total Net Assets	<u>\$ 34,461,348</u>	<u>\$ 24,255,714</u>	<u>\$ 10,205,634</u>

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 \$10,205,634, including a prior period adjustment.

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>
REVENUES:			
Program Revenues			
Charges for Services	\$ 2,795,934	\$ 2,509,632	\$ 286,302
Operating Grants and Contributions	3,069,900	2,878,652	191,248
General Revenues			
Property Taxes	38,622,717	35,389,208	3,233,509
State School Fund - General Support	28,111,908	24,556,149	3,555,759
Earnings on Investments	924,818	971,582	(46,764)
Other Federal, State and Local Sources	4,813,585	4,918,708	(105,123)
Total Revenues	<u>78,338,862</u>	<u>71,223,931</u>	<u>7,114,931</u>
EXPENSES			
Instruction	38,347,498	38,656,948	(309,450)
Support Services	21,962,806	20,811,534	1,151,272
Enterprise and Community Services	2,045,144	1,997,921	47,223
Facilities Acquisition and Construction	-	-	-
Interest on Long-Term Debt	8,315,888	6,262,943	2,052,945
Total Expenses	<u>70,671,336</u>	<u>67,729,346</u>	<u>2,941,990</u>
Change in Net Assets	7,667,526	3,494,585	4,172,941
Prior Period Adjustment	2,538,108	(263,481)	2,801,589
Beginning Net Assets	<u>24,255,714</u>	<u>21,024,610</u>	<u>3,231,104</u>
Ending Net Assets	<u>\$ 34,461,348</u>	<u>\$ 24,255,714</u>	<u>\$ 10,205,634</u>

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, 2006, the District's governmental funds reported combined ending fund balances of \$5,096,042, a decrease of \$20,533,577 in comparison with the prior year. This decrease was due in large part to the continued spending out of construction bond proceeds.

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2006, unreserved fund balance was \$790,382. 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 3 percent of total General Fund expenditures.

The fund balance decreased by \$207,932 during the current fiscal year. This decrease was attributable to the State of Oregon providing more funding in the first year than the second year of the biennium. The decrease in ending fund balance is budgeted in fiscal 2006-07.

Debt Service Fund. As of June 30, 2006 the ending fund balance is \$2,954,391, a decrease of \$186,900 as compared to prior year. This balance is consistent with what is required to service general obligation debt between July 1, 2006 and late November 2006 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 of \$1,155,172, all of which is designated for ongoing capital projects, as authorized by District voters in the November 2002 election. The fund balance decreased by \$20,246,929 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 2006-07.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board approved a supplemental budget June 13, 2006, that increased appropriations in the support services function of the General fund by \$350,000. This supplemental budget also increased the Enterprise and Community Services function in the Special Revenue fund by \$200,000.

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, 2006, the District had invested \$171,507,759 in capital assets, net of depreciation.

The major capital asset events for the year include:

- Completion of a major addition at West Linn High School
- Completion of a major addition at Wilsonville High School

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 \$180,107,776. 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 2006-07 budget was built on state revenue assumptions that appear to be holding steady for this the second 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.

Financial Section

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Component Units		
	Governmental Activities	Three Rivers Charter School	Art Tech Charter School
ASSETS:			
Cash and Investments	\$ 9,470,099	\$ 119,172	\$ 7,414
Property Taxes Receivable	1,484,412	-	-
Other Receivables	1,781,620	8,341	-
Supply Inventory	106,673	465	-
Prepaid Expenses	104,078	20,341	7,079
Prepaid Pension Asset	35,580,830	-	-
Bond Issue Costs	1,469,180	-	-
Non-Depreciable Capital Assets	8,245,717	-	-
Capital Assets, Net of Depreciation:	163,262,042	49,342	-
TOTAL ASSETS	221,504,651	197,661	14,493
LIABILITIES:			
Accounts Payable	838,336	6,415	760
Retainage Payable	732,512	-	-
Accrued Salaries and Benefits	4,756,089	11,175	13,208
Due to Fiduciary	7,253	-	-
Unearned Revenue	162,575	-	-
Accrued Compensated Absences Payable	120,009	-	-
Accrued Interest	318,753	-	-
Long-Term Liabilities:			
Portion Due or Payable Within One Year:	9,560,000	-	-
Portion Due or Payable After One Year:	170,547,776	-	-
TOTAL LIABILITIES	187,043,303	17,590	13,968
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	65,166,761	49,342	
Restricted for:			
Debt Service	2,954,391		
Unrestricted	(33,659,804)	130,729	525
TOTAL NET ASSETS	\$ 34,461,348	\$ 180,071	\$ 525

See notes to basic financial statements.

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

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets	Component Units	
		Charges for Services	Operating Grants and Contributions		Three Rivers Charter School	Art Tech Charter School
Governmental Activities:						
Instruction	\$ 38,347,498	\$ 1,582,564	\$ 1,656,128	\$ (35,108,806)	\$ (438,753)	\$ (355,253)
Support	21,962,806	-	682,426	(21,280,380)	(243,674)	(11,809)
Enterprise and Community Services	2,045,144	1,213,370	731,346	(100,428)	-	-
Interest on Long-Term Debt	8,315,888	-	-	(8,315,888)	-	-
Total Governmental Activities	<u>\$ 70,671,336</u>	<u>\$ 2,795,934</u>	<u>\$ 3,069,900</u>	<u>(64,805,502)</u>	<u>(682,427)</u>	<u>(367,062)</u>
Component Unit						
Three Rivers Charter School	<u>\$ 705,845</u>	<u>13,783</u>	<u>\$ 9,635</u>		<u>(682,427)</u>	
Art Tech Charter School	<u>\$ 367,062</u>	<u>-</u>	<u>\$ -</u>			<u>(367,062)</u>
General revenues:						
Property Taxes				38,622,717	-	-
State School Fund - General Support				28,111,908	389,966	295,887
Unrestricted				4,813,585	-	-
Earnings on Investments				924,818	1,977	-
Other				-	282,374	71,700
Total general revenues				<u>72,473,028</u>	<u>674,317</u>	<u>367,587</u>
CHANGE IN NET ASSETS				7,667,526	(8,110)	525
Prior Period Adjustment				2,538,108	-	-
Net Assets - July 1, 2005				<u>24,255,714</u>	<u>188,181</u>	<u>-</u>
Net Assets - June 30, 2006				<u>\$ 34,461,348</u>	<u>\$ 180,071</u>	<u>\$ 525</u>

See notes to basic financial statements.

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Funds	Total
ASSETS					
Cash and Investments	\$ 4,347,260	\$ 2,859,013	\$ 2,271,240	\$ -	\$ 9,477,513
Due From Other Funds	774,692	52,805	1,225	55,233	883,955
Property Taxes Receivable	990,492	493,920	-	-	1,484,412
Other Receivables	656,090	-	-	1,125,530	1,781,620
Supply Inventory	37,257	-	-	69,416	106,673
Prepaid Expenditures	98,814	-	-	5,264	104,078
TOTAL ASSETS	\$ 6,904,605	\$ 3,405,738	\$ 2,272,465	\$ 1,255,443	\$ 13,838,251
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 552,670	\$ -	\$ 262,046	\$ 23,620	\$ 838,336
Retainage Payable	-	-	732,512	-	732,512
Accrued Salaries and Benefits	4,486,378	-	-	269,711	4,756,089
Due To Other Funds	-	-	122,735	761,220	883,955
Due To Fiduciary Fund	7,253	-	-	-	7,253
Due To Charter School	7,414	-	-	-	7,414
Deferred Taxes	902,728	451,347	-	-	1,354,075
Other Deferred Revenue	157,780	-	-	4,795	162,575
TOTAL LIABILITIES	6,114,223	451,347	1,117,293	1,059,346	8,742,209
Fund Balances:					
Reserved for:					
Debt Service Fund	-	2,954,391	-	-	2,954,391
Prepaid Expenditures	98,814	-	-	-	98,814
Unreserved, designated for, reported in:					
Capital Projects Fund	-	-	1,155,172	-	1,155,172
Unreserved, undesignated reported in:					
General Fund	691,568	-	-	-	691,568
Special Revenue Funds	-	-	-	196,097	196,097
TOTAL FUND BALANCES	790,382	2,954,391	1,155,172	196,097	5,096,042
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,904,605	\$ 3,405,738	\$ 2,272,465	\$ 1,255,443	\$ 13,838,251

See notes to basic financial statements.

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

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2006

TOTAL FUND BALANCES \$ 5,096,042

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

Cost	\$ 199,238,763	
Accumulated depreciation	<u>(27,731,004)</u>	171,507,759

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.

1,354,075

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	(120,008)	
Early Retirement	(774,725)	
Bonds payable	(177,152,238)	
Premium on Bonds Payable	(2,180,813)	
Accrued interest payable	<u>(318,753)</u>	(180,546,537)

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	35,580,829	
Bond Issue Costs	<u>1,469,180</u>	<u>37,050,009</u>

TOTAL NET ASSETS \$ 34,461,348

See notes to basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Funds	Total
REVENUES:					
Local Sources:	\$ 28,760,340	14,857,491	576,317	1,491,358	45,685,506
Intermediate Sources	7,356	-	-	592,284	599,640
State Sources	29,450,704	-	-	30,742	29,481,446
Federal Sources	233,776	-	-	2,376,413	2,610,189
TOTAL REVENUES	58,452,176	14,857,491	576,317	4,490,797	78,376,781
EXPENDITURES:					
Current:					
Instruction	35,382,763	-	-	1,685,853	37,068,616
Support Services	21,397,104	-	-	680,134	22,077,238
Enterprise and Community Services	-	-	-	1,941,015	1,941,015
Facilities Acquisition and Construction	-	-	2,493,913	-	2,493,913
Debt Service	1,832,811	15,044,391	13,672	110,611	17,001,485
Capital Outlay	12,430	-	18,315,661	-	18,328,091
TOTAL EXPENDITURES	58,625,108	15,044,391	20,823,246	4,417,613	98,910,358
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(172,932)	(186,900)	(20,246,929)	73,184	(20,533,577)
OTHER FINANCING SOURCES, (USES):					
Transfers In	-	-	-	35,000	35,000
Transfers Out	(35,000)	-	-	-	(35,000)
TOTAL OTHER FINANCING SOURCES	(35,000)	-	-	35,000	-
NET CHANGE IN FUND BALANCE	(207,932)	(186,900)	(20,246,929)	108,184	(20,533,577)
Adjustment for Inventories Recorded Under Purchase Method	(21,990)	-	-	22,141	151
FUND BALANCE, July 1, 2005	1,020,304	3,141,291	21,402,101	65,772	25,629,468
FUND BALANCE, June 30, 2006	\$ 790,382	\$ 2,954,391	\$ 1,155,172	\$ 196,097	\$ 5,096,042

See notes to basic financial statements.

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

NET CHANGE IN FUND BALANCE . \$ (20,533,577)

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)	\$ 24,656,805	
Less current year depreciation	(3,522,643)	21,134,162

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 debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Prepaid Pension asset amortization	(1,617,310)	
Bond premium amortization	149,639	
Bond issue cost amortization	(114,194)	
Debt principal repaid	8,500,000	6,918,135

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.	77,454
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The statement of revenues, expenses and changes in fund balance contains an adjustment for inventory, which is allocated to the functions on the statement of activities.	151
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In the Statement of Activities interest is accrued on long-term debt, whereas in the governmental funds it is recorded as an interest expense when due.	35,958
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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.	(115,373)
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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	4,962	
Early retirement obligations	145,654	150,616

CHANGE IN NET ASSETS	\$ 7,667,526
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See notes to basic financial statements.

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

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006

	PRIVATE-PURPOSE TRUST FUND	
	EARL ANDERSON SCHOLARSHIP FUND	AGENCY FUNDS
ASSETS:		
Cash and Investments	\$ -	\$ 1,162,701
Due From Governmental Funds	7,253	-
Total Assets	<u>\$ 7,253</u>	<u>\$ 1,162,701</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Due to Student Organizations	\$ -	\$ 1,162,701
Total Liabilities	<u>-</u>	<u>1,162,701</u>
Net Assets:	<u>7,253</u>	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 7,253</u>	<u>\$ 1,162,701</u>

See notes to basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2006

	EARL ANDERSON SCHOLARSHIP FUND
ADDITIONS:	
From Local Sources:	
Earnings on Investments	\$ 274
Total Additions	274
DEDUCTIONS	
Current:	
Supporting Services	500
Change in Net Assets	(226)
Beginning Net Assets	7,479
Ending Net Assets	\$ 7,253

See notes to basic financial statements.

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

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. 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 District's 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.

The District reports the following major governmental funds:

General Fund - This is the District's 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 District's 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 District reports the following other fund types:

Fiduciary Funds

The Agency fund accounts for the transactions of the District's 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, the District funds certain programs 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 District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds 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 District's 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 District's 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 District's 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	10 to 50 years
Equipment	5 to 20 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans

Substantially all of the District's 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.

The District has 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 District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a 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 District's 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 District's 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 \$761,818; the Debt Service Fund which overspent Debt Service by \$2,272,946, the Special Revenue fund which overspent Support Services by \$18,710 and Other Objects by \$17,745, and the Earl Anderson Scholarship Fund, which overspent Support Services by \$500.

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.

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

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 \$6,091,163. Of these deposits, \$352,219 were covered by federal depository insurance, \$1,434,736 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 \$4,304,208 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, 2006.

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, 2006. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year, except as noted above regarding collateralization.

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J**NOTES TO BASIC FINANCIAL STATEMENTS****JUNE 30, 2006****2. CASH AND INVESTMENTS (CONTINUED)**

Cash and Investments at June 30, 2006, (recorded at fair value) consisted of:

Deposits With Financial Institutions:	2006	Reported in:	2006
Demand Deposits:		Governmental Activities	\$ 9,470,099
Checking	\$ 3,600,754	Component Unit	7,414
Cash with Fiscal Agents	227,672	Fiduciary Funds	1,162,701
Investments	6,811,788		
		Total	\$ 10,640,214
Total	\$ 10,640,214		

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

The District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-18	18-59
State Treasurer's Investment Pool	\$ 4,572,108	\$ 4,572,108	\$ -	67%
OSBA Capitalized Interest Bonds & Notes	244,680	244,680	-	4%
Municipal Issues	1,995,000	-	1,995,000	29%
Total	\$ 6,811,788	\$ 4,572,108	\$ 1,995,000	\$ 1

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, 2006, the District had 67% of total investments in the State Treasurer's Investment Pool, 4% in OSBA Capitalized Interest Bonds and Notes, and 29% in Municipal Issues. 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, 2006, the District was in compliance with all percentage restrictions.

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
3. RECEIVABLES

Receivables are comprised of the following as of June 30, 2006:

Property taxes	\$	1,484,412
Other Receivables		<u>1,781,619</u>
Total	\$	<u>3,266,031</u>

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance June 30, 2005	Additions	Reclassification and Deletions	Balance June 30, 2006
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 9,817,704	\$ 402,023	\$ 1,974,010	\$ 8,245,717
Construction in Progress	48,808,465	-	48,808,465	-
Total Capital Assets Not Being Depreciated	<u>58,626,169</u>	<u>402,023</u>	<u>50,782,475</u>	<u>8,245,717</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	111,320,208	73,063,247	(2,779,621)	187,163,076
Machinery and Equipment	2,762,207	-	(1,067,763)	3,829,970
Total Capital Assets Being Depreciated	<u>114,082,415</u>	<u>73,063,247</u>	<u>(3,847,384)</u>	<u>190,993,046</u>
Accumulated Depreciation				
Total Accumulated Depreciation	<u>(24,873,095)</u>	<u>(3,522,643)</u>	<u>(664,734)</u>	<u>(27,731,004)</u>
Total Capital Assets Being Depreciated, Net	<u>89,209,320</u>	<u>69,540,604</u>	<u>(4,512,118)</u>	<u>163,262,042</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 147,835,489</u>	<u>\$ 69,942,627</u>	<u>\$ 46,270,357</u>	<u>\$ 171,507,759</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
Instruction	\$ 2,641,982
Support Services	704,529
Community Services	<u>176,132</u>
Total Depreciation Expense-	
Governmental Activities	<u>\$ 3,522,643</u>

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

5. LONG-TERM DEBT

Bonds Payable

The following changes occurred in bonds payable during the fiscal year ending June 30, 2006:

Issue Date	Interest Rates	Original Issue	Outstanding July 1, 2005	Issued	Matured And Redeemed	Outstanding June 30, 2006	Due Within One Year
September 1997	4.45-5.75%	\$ 76,440,000	\$ 32,415,000	\$ -	\$ 6,055,000	\$ 26,360,000	\$ 6,910,000
July 2002	2.5-4.5%	12,995,000	9,290,000	-	1,810,000	7,480,000	1,855,000
May 2003	2.0-4.78%	74,997,238	74,352,238	-	635,000	73,717,238	795,000
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	-
			185,652,238	-	8,500,000	177,152,238	9,560,000
Early Retirement Obligation			920,379	466,357	612,011	774,725	305,267
Unamortized Premium/(Discount)			2,330,452	-	149,639	2,180,813	-
Total Bonds Payable			<u>\$ 188,903,069</u>	<u>\$ 466,357</u>	<u>\$ 9,261,650</u>	<u>\$ 180,107,776</u>	<u>\$ 9,865,267</u>

Future maturities of bonds payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2007	9,560,000	6,200,212
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
2012-2016	46,456,785	23,296,393
2017-2021	43,904,630	39,059,917
2022-2026	30,655,823	22,508,483
2027-2029	7,775,000	566,067
Total	<u>\$ 177,152,238</u>	<u>\$ 111,689,320</u>

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. The District issues general obligation bonds to provide funds for the acquisition and construction of District school facilities. The original amount of general obligation bonds issued in prior years was \$164,432,238.

Advance Refunding Bonds

In July of 2002 the District issued general obligation refunding bonds. 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 District's basic financial statements.

In November of 2004, the District issued general obligation refunding bonds. 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 District's 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, 2006, \$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 District's 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 by the District 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 District's future required contribution rate.

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds at June 30, 2006 are as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 774,692	\$ -
Debt Service Fund	52,805	-
Capital Projects Fund	1,225	122,735
Special Revenue Funds	55,233	761,220
	<u>\$ 883,955</u>	<u>\$ 883,955</u>

Interfund balances represent amounts owed to or from the general fund for pooled cash and investments.

7. OTHER POST EMPLOYMENT BENEFITS

Early Retirement

The District provides an early retirement plan 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 District's total obligation to 70 employees currently on early retirement is \$774,725. 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 2006 and 2005 was \$574,862 and \$339,336 respectively, and were equal to required contributions for each year. The actuarial present value of vested and non-vested accumulated benefits is not available.

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, 48 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 2006 and 2005, these costs totaled \$324,463 and \$421,943 respectively.

8. PENSION PLAN

The District contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information.

That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

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"). The District borrowed \$42,180,000, 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 District's contribution to the plan for the years ending June 30, 2006, 2005, and 2004 were \$4,126,975, \$3,919,675, and \$3,803,431, respectively, and were equal to the required contributions for each year. The District pays the employee's 6% required contribution 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. The District purchases commercial insurance 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. RESTATEMENTS

A prior period adjustment was made to beginning net assets in the amount of \$2,538,108, for capital assets acquired in a prior year that were expended in the governmental funds but not capitalized in the government-wide financial statements.

10. SUBSEQUENT EVENTS

The District issued \$4.25 million in Tax and Revenue Anticipation Notes in July 2006. This financing was done to provide necessary cash to be used for cash flow purposes in October 2006 and June 2007. The repayment date of this TRAN issue is July 31, 2007.

The District received non-refundable escrow deposits on the sale of two properties totaling \$300,000 in September 2006. Additional proceeds will come to the District if a closing of the contracts on these two properties occurs, which has yet to be determined.

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

REQUIRED SUPPLEMENTARY DATA

WEST LINN WILSONVILLE SCHOOL DISTRICT
CLACKAMAS COUNTY OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET
 For the Year Ended June 30, 2006

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES:				
Local Sources	\$ 26,362,348	\$ 26,362,348	\$ 28,760,340	\$ 2,397,992
Intermediate Sources	17,024	17,024	7,356	(9,668)
State Sources	30,656,318	31,041,318	29,450,704	(1,590,614)
Federal Sources	222,900	222,900	233,776	10,876
Total Revenues	57,258,590	57,643,590	58,452,176	808,586
EXPENDITURES:				
Instruction	35,311,290	36,028,290 (1)	35,395,193	633,097
Support Services	20,820,286	20,635,286 (1)	21,397,104	(761,818)
Debt Service	2,098,500	1,916,500 (1)	1,832,811	83,689
Total Expenditures	58,230,076	58,580,076	58,625,108	(45,032)
Excess of Revenues Over (Under) Expenditures	(971,486)	(936,486)	(172,932)	853,618
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(35,000) (1)	(35,000)	-
Total Other Financing Sources (Uses)	-	(35,000)	(35,000)	-
Net Change in Fund Balance	(971,486)	(971,486)	(207,932)	763,554
Beginning Fund Balance	971,486	971,486	1,020,304	48,818
Ending Fund Balance	\$ -	\$ -	\$ 812,372	\$ 812,372
Adjustment for Inventories Recorded Under the Purchase Method			(21,990)	
Fund Balance (GAAP Basis)			\$ 790,382	

(1) Appropriation level

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2006

SPECIAL REVENUE FUND

	Budget (2)		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Local Sources			\$ 1,491,358	
Intermediate Sources			592,284	
State Sources			30,742	
Federal Sources			2,376,413	
TOTAL REVENUES	4,716,225	4,916,225	4,490,797	(425,428)
EXPENDITURES:				
Instruction	2,086,153	2,086,153 (1)	1,685,853	400,300
Support Services	661,424	661,424 (1)	680,134	(18,710)
Enterprise and Community Services	1,875,782	2,075,782 (1)	1,941,015	134,767
Other Objects	92,866	92,866 (1)	110,611	(17,745)
TOTAL EXPENDITURES	4,716,225	4,916,225	4,417,613	498,612
OTHER FINANCING SOURCES:				
Transfers In	-	-	35,000	35,000
NET CHANGE IN FUND BALANCE	-	-	108,184	108,184
FUND BALANCE, July 1, 2005		-	18,497	18,497
FUND BALANCE, June 30, 2006	\$ -	\$ -	\$ 126,681	\$ 126,681

(1) Appropriation level

Reconciliation to GAAP Basis Ending Fund Balance

Budgetary Basis Ending Fund Balance	\$ 126,681
Supply Inventory	69,416
GAAP Basis Ending Fund Balance	\$ 196,097

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

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

SUPPLEMENATARY DATA

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006

DEBT SERVICE FUND

	Budget		Debt Service	PERS Debt		Variance with
	Adopted	Final	Fund	Service Fund	Total	Final Budget Positive (Negative)
REVENUES:						
Local Sources						
Property Taxes	\$ 12,341,445	\$ 12,341,445	\$ 12,595,576	\$ -	\$ 12,595,576	\$ 254,131
Earnings on Investments	90,000	90,000	244,012	-	244,012	154,012
Services Provided Other Funds	-	-	-	1,969,914	1,969,914	1,969,914
Miscellaneous	-	-	17,849	30,140	47,989	47,989
TOTAL REVENUES	12,431,445	12,431,445	12,857,437	2,000,054	14,857,491	2,426,046
EXPENDITURES:						
Debt service:	12,771,445	12,771,445 (1)	12,771,344	2,273,047	15,044,391	(2,272,946)
TOTAL EXPENDITURES	12,771,445	12,771,445	12,771,344	2,273,047	15,044,391	(2,272,946)
NET CHANGE IN FUND BALANCE	(340,000)	(340,000)	86,093	(272,993)	(186,900)	153,100
FUND BALANCE, July 1, 2005	2,320,000	2,320,000	2,575,938	565,353	3,141,291	821,291
FUND BALANCE, June 30, 2006	\$ 1,980,000	\$ 1,980,000	\$ 2,662,031	\$ 292,360	\$ 2,954,391	\$ 974,391

(1) Appropriation level

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2006

CAPITAL PROJECTS FUND

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Local Sources:				
Contributions/Donations	-	-	370,000	370,000
Earnings on Investments	600,224	600,224	206,317	(393,907)
TOTAL REVENUES	<u>600,224</u>	<u>600,224</u>	<u>576,317</u>	<u>(23,907)</u>
EXPENDITURES:				
Facilities Acquisition and Construction:	25,585,224	25,585,224 (1)	20,809,574	4,775,650
Other Objects	15,000	15,000 (1)	13,672	1,328
TOTAL EXPENDITURES	<u>25,600,224</u>	<u>25,600,224</u>	<u>20,823,246</u>	<u>4,776,978</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(25,000,000)	(25,000,000)	(20,246,929)	4,753,071
FUND BALANCE, July 1, 2005	<u>25,000,000</u>	<u>25,000,000</u>	<u>21,402,101</u>	<u>(3,597,899)</u>
FUND BALANCE, June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,155,172</u>	<u>\$ 1,155,172</u>

(1) Appropriation level

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

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2006

	SOAR Fund	HS Charter School Fund	Title IC Fund	Vocational Education Fund	Title I Fund	IDEA Fund	Title IIA Fund	Youth Transition Program Fund
ASSETS								
Due from Other Funds	\$ 13,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash	-	-	-	-	-	-	-	-
Prepaid Expenses	1,264	4,000	-	-	-	-	-	-
Accounts Receivable	-	19,301	4,722	15,324	297,165	358,912	68,090	10,908
TOTAL ASSETS	<u>\$ 14,504</u>	<u>\$ 23,301</u>	<u>\$ 4,722</u>	<u>\$ 15,324</u>	<u>\$ 297,165</u>	<u>\$ 358,912</u>	<u>\$ 68,090</u>	<u>\$ 10,908</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable	\$ -	\$ 5,043	\$ -	\$ 2,492	\$ -	\$ 3,191	\$ -	\$ -
Accrued Payroll	-	-	-	-	35,540	88,701	4,564	4,975
Deferred Revenue	4,795	-	-	-	-	-	-	-
Due to Other Funds	-	18,258	4,722	12,832	261,625	267,020	63,526	5,933
TOTAL LIABILITIES	<u>4,795</u>	<u>23,301</u>	<u>4,722</u>	<u>15,324</u>	<u>297,165</u>	<u>358,912</u>	<u>68,090</u>	<u>10,908</u>
Fund Balances:								
Unreserved, Undesignated	<u>9,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,504</u>	<u>\$ 23,301</u>	<u>\$ 4,722</u>	<u>\$ 15,324</u>	<u>\$ 297,165</u>	<u>\$ 358,912</u>	<u>\$ 68,090</u>	<u>\$ 10,908</u>

Title III Fund	Title IID Fund	Title V Fund	Oregon Ready to Learn Fund	Title IV-A Fund	Disabled Child Fund	Food Service Fund	Community Education Fund	Total
\$ -	\$ -	\$ 870	\$ 25,683	\$ -	\$ -	\$ 15,440	\$ -	\$ 55,233
-	-	-	-	-	-	-	-	5,264
8,557	3,177	3,265	-	-	282,791	3,372	49,946	1,125,530
<u>\$ 8,557</u>	<u>\$ 3,177</u>	<u>\$ 4,135</u>	<u>\$ 25,683</u>	<u>\$ -</u>	<u>\$ 282,791</u>	<u>\$ 18,812</u>	<u>\$ 49,946</u>	<u>\$ 1,186,027</u>
\$ -	\$ -	\$ -	\$ 958	\$ -	\$ 6,324	\$ 4,259	\$ 1,353	\$ 23,620
-	-	4,135	-	-	59,882	71,914	-	269,711
-	-	-	-	-	-	-	-	4,795
8,557	3,177	-	-	-	78,734	-	36,836	761,220
8,557	3,177	4,135	958	-	144,940	76,173	38,189	1,059,346
-	-	-	24,725	-	137,851	(57,361)	11,757	126,681
<u>\$ 8,557</u>	<u>\$ 3,177</u>	<u>\$ 4,135</u>	<u>\$ 25,683</u>	<u>\$ -</u>	<u>\$ 282,791</u>	<u>\$ 18,812</u>	<u>\$ 49,946</u>	<u>\$ 1,186,027</u>

Reconciliation to GAAP Basis Ending Fund Balance

Budgetary Basis Ending Fund Balance	\$ 126,681
Supply Inventory	69,416
GAAP Basis Ending Fund Balance	<u>\$ 196,097</u>

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

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2006

Capitol Perkins

	SOAR Fund	HS Charter School Fund	Title IC Fund	Vocational Education Fund	Title I Fund	IDEA Fund
REVENUES:						
Local Sources	\$ 5,788	\$ -	\$ -	\$ -	\$ -	\$ -
Intermediate Sources	-	-	-	-	-	-
State Sources	-	-	-	-	-	-
Federal Sources	-	169,301	9,226	20,432	299,770	1,185,908
TOTAL REVENUES	5,788	169,301	9,226	20,432	299,770	1,185,908
EXPENDITURES:						
Instruction	10,548	168,600	2,930	20,432	288,368	531,363
Support Services	-	-	6,296	-	-	622,155
Enterprise and Community Services	-	-	-	-	-	-
Other Objects	922	701	-	-	11,402	32,390
TOTAL EXPENDITURES	11,470	169,301	9,226	20,432	299,770	1,185,908
OTHER FINANCING SOURCES:						
Transfers In	-	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(5,682)	-	-	-	-	-
FUND BALANCE, July 1, 2005	15,391					
FUND BALANCE, June 30, 2006	\$ 9,709	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Appropriation level

Title IIA Fund	Youth Transition Program Fund	Title III Fund	Title IID Fund	Title V Fund	Oregon		Disabled Child Fund
					Ready to Learn Fund	Title IV-A Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,725	\$ -	\$ -
-	-	-	-	-	-	-	592,284
-	-	-	-	-	-	-	-
148,578	37,594	17,460	5,212	18,395	-	11,408	-
148,578	37,594	17,460	5,212	18,395	24,725	11,408	592,284
144,362	36,075	-	-	17,549	29,725	-	435,901
-	-	17,460	5,212	-	-	11,408	5,986
-	-	-	-	-	-	-	-
4,216	1,519	-	-	846	-	-	13,909
148,578	37,594	17,460	5,212	18,395	29,725	11,408	455,796
-	-	-	-	-	-	-	-
-	-	-	-	-	(5,000)	-	136,488
-	-	-	-	-	29,725	-	1,363
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,725	\$ -	\$ 137,851

Food Service Fund	Community Education Fund	Total	Budget		Variance with Final Budget Positive (Negative)
			Adopted	Final	
\$ 1,213,370	\$ 247,475	\$ 1,491,358			
-	-	592,284			
18,323	12,419	30,742			
453,129	-	2,376,413			
1,684,822	259,894	4,490,797	4,716,225	4,916,225	(425,428)
-	-	1,685,853	2,086,153	2,086,153	(1) 400,300
11,617	-	680,134	661,424	661,424	(1) (18,710)
1,686,165	254,850	1,941,015	1,875,782	2,075,782	(1) 134,767
36,274	8,432	110,611	92,866	92,866	(1) (17,745)
1,734,056	263,282	4,417,613	4,716,225	4,916,225	498,612
35,000	-	35,000	-	-	35,000
(14,234)	(3,388)	108,184	-	-	108,184
(43,127)	15,145	18,497		-	18,497
\$ (57,361)	\$ 11,757	\$ 126,681	\$ -	\$ -	\$ 126,681

Reconciliation to GAAP Basis Ending Fund Balance

Budgetary Basis Ending Fund Balance	\$ 126,681
Supply Inventory	69,416
GAAP Basis Ending Fund Balance	<u>\$ 196,097</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2006

EARL ANDERSON SCHOLARSHIP FUND

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Local Sources:				
Investment Earnings	\$ 200	\$ 200	\$ 274	\$ 74
TOTAL REVENUES	<u>200</u>	<u>200</u>	<u>274</u>	<u>74</u>
EXPENDITURES:				
Support Services:	-	- (1)	500	(500)
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>500</u>	<u>(500)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	200	200	(226)	426
FUND BALANCE, July 1, 2005	<u>8,100</u>	<u>8,100</u>	<u>7,479</u>	<u>(621)</u>
FUND BALANCE, June 30, 2006	<u>\$ 8,300</u>	<u>\$ 8,300</u>	<u>\$ 7,253</u>	<u>\$ (1,047)</u>

(1) Appropriation level

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

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2006

	BALANCE AT 7/1/05	ADDITIONS	DEDUCTIONS	BALANCE AT 6/30/06
STUDENT ACTIVITY FUNDS:				
ASSETS:				
Cash and Investments	\$ 964,766	\$ 3,131,261	\$ 2,933,326	\$ 1,162,701
Total Assets	<u>\$ 964,766</u>	<u>\$ 3,131,261</u>	<u>\$ 2,933,326</u>	<u>\$ 1,162,701</u>
LIABILITIES:				
Due to Student Organizations	\$ 964,766	\$ 3,131,261	\$ 2,933,326	\$ 1,162,701
Total Liabilities	<u>\$ 964,766</u>	<u>\$ 3,131,261</u>	<u>\$ 2,933,326</u>	<u>\$ 1,162,701</u>

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

SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2006

GENERAL FUND

Tax Year	Original Levy or Balance Uncollected 7/1/05	Deduct Discounts	Adjustments To Rolls	Add Interest	Cash Collections By County Treasurer	Balance Uncollected Or Unsegregated 6/30/2006
Current:						
2005-06	\$ 26,818,221	\$ 653,046	\$ 10,604	\$ 18,329	\$ 25,547,960	\$ 646,148
Prior Years:						
2004-05	650,269	(473)	(70,505)	37,048	435,011	182,274
2003-04	207,077	(139)	(49,526)	22,250	91,432	88,508
2002-03	119,157	(214)	(47,619)	19,958	48,057	43,653
2001-02	39,205	(129)	(24,256)	9,161	10,895	13,344
2000-01 & Prior	28,225	(240)	10,557	(34,759)	(12,302)	16,565
Total Prior	1,043,933	(1,196)	(181,349)	53,659	573,093	344,345
Total General Fund	<u>\$ 27,862,154</u>	<u>\$ 651,851</u>	<u>\$ (170,746)</u>	<u>\$ 71,988</u>	<u>\$ 26,121,053</u>	<u>\$ 990,492</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 26,121,053
Accrual of Receivables:	
Other Taxes	5,350
June 30, 2005	(71,653)
June 30, 2006	<u>87,764</u>
Total Revenue	<u>\$ 26,142,514</u>

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

SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2006

DEBT SERVICE FUND

Tax Year	Original Levy or Balance Uncollected 7/1/05	Deduct Discounts	Adjustments To Rolls	Add Interest	Cash Collections By County Treasurer	Balance Uncollected Or Unsegregated 6/30/2006
Current:						
2005-06	\$ 12,862,945	\$ 313,102	\$ 11,469	\$ 8,828	\$ 12,261,784	\$ 308,356
Prior Years:						
2004-05	323,587	(235)	(35,105)	18,438	216,441	90,714
2002-03	107,587	(82)	(14,781)	13,103	53,866	52,125
2002-03	58,824	(143)	(11,275)	13,276	31,923	29,045
2001-02	19,282	(62)	(12,103)	4,400	5,233	6,408
2000-01 & Prior	12,836	(105)	4,187	(15,255)	(5,399)	7,273
Total Prior	522,116	(627)	(69,076)	33,962	302,064	185,565
Total Debt Service Fund	\$ 13,385,061	\$ 312,475	\$ (57,607)	\$ 42,790	\$ 12,563,849	\$ 493,920

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurers Above	\$ 12,563,849
Accrual of Receivables:	
Other Taxes	14,102
June 30, 2005	(24,948)
June 30, 2006	42,574
Total Revenue	\$ 12,595,576

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

SCHEDULE OF BOND AND INTEREST TRANSACTIONS AND BALANCES
For The Year Ended June 30, 2006

DATE OF ISSUE	MATURED BONDS & COUPONS OUTSTANDING AT 7/1/05	BONDS & COUPONS MATURING DURING THE YEAR	BONDS REDEEMED AND COUPONS PAID DURING THE YEAR	MATURED BONDS & COUPONS OUTSTANDING AT 6/30/06
11/30/04	\$ 0	\$ 1,296,975	\$ 1,296,975	\$ 0
03/01/04	0	2,273,046	2,273,046	0
05/28/03	0	1,622,200	1,622,200	0
Series 2002 Refunding	0	2,078,950	2,078,950	0
09/01/97	0	7,773,220	7,773,220	0
TOTALS:	\$ 0	\$ 15,044,391	\$ 15,044,391	\$ 0

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

SCHEDULE OF BOND REDEMPTION AND INTEREST REQUIREMENTS
For The Year Ended June 30, 2006

FISCAL YEAR	ISSUE OF 5/28/03		SERIES 2002 REFUNDING		ISSUE OF 9/1/97	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
	Due 6/15	Due 12/15 & 6/15	Due 10/1	Due 10/1 & 4/1	Due 6/1	Due 12/1 & 6/1
2006-07	795,000	972,000	1,855,000	218,500	6,910,000	1,439,690
2007-08	815,000	952,125	1,915,000	159,181	7,830,000	1,118,375
2008-09	500,000	931,750	1,980,000	93,038	9,210,000	668,150
2009-10	4,400,000	918,000	1,730,000	29,194	2,410,000	138,574
2010-11	4,745,000	780,500	-	-	-	-
2011-12	5,190,000	543,250	-	-	-	-
2012-13	5,675,000	283,750	-	-	-	-
2013-14	4,052,593	2,137,407	-	-	-	-
2014-15	3,982,904	2,437,096	-	-	-	-
2015-16	3,911,288	2,758,712	-	-	-	-
2016-17	3,852,387	3,077,613	-	-	-	-
2017-18	6,356,204	5,708,796	-	-	-	-
2018-19	6,231,753	6,308,247	-	-	-	-
2019-20	6,078,221	6,956,780	-	-	-	-
2020-21	5,826,065	7,473,935	-	-	-	-
2021-22	5,711,928	8,118,072	-	-	-	-
2022-23	5,593,895	8,791,105	-	-	-	-
2023-24	-	-	-	-	-	-
2024-25	-	-	-	-	-	-
2025-26	-	-	-	-	-	-
2026-27	-	-	-	-	-	-
2027-28	-	-	-	-	-	-
TOTALS	\$ 73,717,238	\$ 59,149,138	\$ 7,480,000	\$ 499,913	\$ 26,360,000	\$ 3,364,789

PENSION BOND ISSUE OF 4/1/03		SERIES 2004 REFUNDING		TOTAL REQUIREMENTS	
PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	ALL ISSUES	
Due 6/30	Due 12/30 & 6/30	Due 6/30	Due 12/30 & 6/30	PRINCIPAL	INTEREST
-	2,273,047	-	1,296,975	9,560,000	6,200,212
-	2,273,047	-	1,296,975	10,560,000	5,799,703
45,000	2,273,047	-	1,296,975	11,735,000	5,262,960
180,000	2,271,398	-	1,296,975	8,720,000	4,654,141
320,000	2,263,969	2,720,000	1,296,975	7,785,000	4,341,444
480,000	2,249,889	3,050,000	1,175,375	8,720,000	3,968,514
650,000	2,227,867	3,435,000	1,030,063	9,760,000	3,541,680
830,000	2,196,842	3,845,000	860,812	8,727,593	5,195,061
1,035,000	2,157,060	4,285,000	678,563	9,302,904	5,272,719
1,250,000	2,106,107	4,785,000	453,600	9,946,288	5,318,419
1,490,000	2,043,320	5,295,000	238,275	10,637,387	5,359,208
1,745,000	1,966,987	-	-	8,101,204	7,675,783
2,030,000	1,875,846	-	-	8,261,753	8,184,093
2,335,000	1,767,789	-	-	8,413,221	8,724,569
2,665,000	1,642,329	-	-	8,491,065	9,116,264
3,025,000	1,497,806	-	-	8,736,928	9,615,878
3,415,000	1,332,248	-	-	9,008,895	10,123,353
3,835,000	1,143,467	-	-	3,835,000	1,143,467
4,290,000	931,468	-	-	4,290,000	931,468
4,785,000	694,317	-	-	4,785,000	694,317
5,310,000	429,802	-	-	5,310,000	429,802
2,465,000	136,265	-	-	2,465,000	136,265
<u>\$ 42,180,000</u>	<u>\$ 37,753,917</u>	<u>\$ 27,415,000</u>	<u>\$ 10,921,563</u>	<u>\$ 177,152,238</u>	<u>\$ 111,689,320</u>

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

Revenue from Local Sources		General
1110	Ad Valorem Taxes Levied by District	\$20,946,446
1120	Local Option Ad Valorem Taxes Levied by District	\$5,196,068
1190	Penalties and Interest on Taxes	\$23,880
1200	Rev from Local Gov't Units Other Than Districts	
1310	Regular Day School Tuition	\$737,516
1320	Adult/Continuing Education Tuition	
1330	Summer School Tuition	\$25,746
1400	Transportation Fees	
1500	Earnings on Investments	\$397,120
1600	Food Service	
1700	Extracurricular Activities	\$819,302
1800	Community Services Activities	
1910	Rentals	\$195,992
1920	Contributions and Donations From Private Sources	\$66,676
1960	Recovery of Prior Years' Expenditure	
1970	Services Provided Other Funds	
1980	Fees Charged to Grants	
1990	Miscellaneous	\$351,594
Total Revenue from Local Sources		\$28,760,340

Revenue from Intermediate Sources		General
2101	County School Funds	\$7,356
2102	Education Service District Apportionment	
2105	Natural Gas, Oil, and Mineral Receipts	
2199	Other Intermediate Sources	
2200	Restricted Revenue	
2800	Revenue in Lieu of Taxes	
2900	Revenue for/on Behalf of the District	
Total Revenue from Intermediate Sources		\$7,356

Revenue from State Sources		General
3101	State School Fund - General Support	\$27,483,993
3102	State School Fund - School Lunch Match	
3103	Common School Fund	\$627,915
3104	State Managed County Timber	
3199	Other Unrestricted Grants-in-Aid	\$856,468
3204	Driver Education	
3222	SSF Transportation Equipment	
3299	Other Restricted Grants-in-Aid	\$482,328
3800	Revenue in Lieu of Taxes	
3900	Revenue for/on Behalf of the District	
Total Revenue from State Sources		\$29,450,704

Revenue from Federal Sources		General
4100	Unrestricted Rev. Dir. Federal Government	
4200	Unrestr. Rev. Federal Government Through State	\$31,620
4300	Restr. Rev. Federal Government	
4500	Restricted Rev. Federal Gov. Through State	
4700	Grants-in-Aid Fed. Gov. Thru Intern. Agencies	
4801	Federal Forest Fees	\$202,156
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		\$233,776

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	
Total Revenue from Other Sources		\$0

Grand Totals		\$58,452,176
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WEST LINN-WILSONVILLE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES BY FUNCTION/OBJECT - GENERAL FUND

General Fund

	Total	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	Object 700
Instruction Expenditures								
1111 Primary, K-3	\$8,174,849	\$5,665,837	\$2,266,910	\$43,895	\$198,207			
1112 Intermediate Programs	\$4,451,482	\$3,011,809	\$1,221,465	\$29,209	\$188,999			
1113 Elementary Extracurricular	\$0							
1121 Middle/Junior High Programs	\$6,824,181	\$4,578,991	\$1,889,453	\$128,262	\$227,475			
1122 Middle/Junior High School Extracurricular	\$406,875	\$310,871	\$58,679	\$22,518	\$14,807			
1131 High School Programs	\$8,062,233	\$5,391,386	\$2,186,948	\$102,324	\$366,925	\$9,850	\$4,800	
1132 High School Extracurricular	\$1,170,799	\$780,616	\$144,795	\$130,754	\$88,253	\$2,580	\$23,801	
1140 Pre-Kindergarten Programs	\$260,426	\$186,390	\$71,565		\$2,471			
1210 Programs for the Talented and Gifted	\$341,289	\$86,264	\$60,258	\$169,065	\$25,667		\$35	
1220 Restrictive Programs for Students with Disabilities	\$1,574,934	\$1,055,197	\$501,312	\$15,115	\$3,310			
1250 Less Restrictive Programs for Students with Disabilities	\$2,483,307	\$1,655,334	\$727,845	\$84,277	\$15,851			
1260 Early Intervention	\$0							
1271 Remediation	\$0							
1272 Title I	\$0							
1280 Alternative Education	\$61,548	\$40,799	\$20,749					
1288 Charter Schools	\$827,273	\$26,130	\$13,430	\$787,713				
1291 English Second Language Programs	\$519,909	\$358,991	\$160,918					
1292 Teen Parent Program	\$0							
1293 Migrant Education	\$0							
1294 Youth Corrections Education	\$0							
1299 Other Programs	\$208,768	\$127,544	\$45,444	\$21,790	\$12,241		\$1,749	
1300 Adult/Continuing Education Programs	\$0							
1400 Summer School Programs	\$47,320	\$38,573	\$8,019	\$712	\$16			
Total Instruction Expenditures	\$35,395,193	\$23,314,732	\$9,377,790	\$1,515,634	\$1,144,222	\$12,430	\$30,385	\$0
Support Services Expenditures								
2110 Attendance and Social Work Services	\$0							
2120 Guidance Services	\$1,243,706	\$863,611	\$375,546	\$3,792	\$757			
2130 Health Services	\$199,891	\$133,579	\$57,176	\$5,411	\$3,725			
2140 Psychological Services	\$390,443	\$268,242	\$104,770	\$16,633	\$798			
2150 Speech Pathology and Audiology Services	\$690,534	\$507,679	\$177,684	\$3,537	\$1,434		\$200	
2160 Other Student Treatment Services	\$0							
2190 Service Direction, Student Support Services	\$307,546	\$183,776	\$82,338	\$30,401	\$10,857		\$174	
2210 Improvement of Instruction Services	\$312,290	\$152,891	\$50,070	\$70,117	\$36,288		\$2,924	
2211 Instructional Services Dir.	\$72,953	\$53,339	\$12,258	\$7,356				
2215 District Music	\$266			\$266				
2218 Professional Development Classified	\$1,883			\$1,883				
2219 Professional Development Teachers	\$56,239	\$16,634	\$2,415	\$37,190				
2222 Libraries	\$1,242,664	\$817,982	\$350,492	\$643	\$73,447			
2223 Audio Visual	\$57,196			\$7,208	\$49,988			
2230 Assessment & Testing	\$0							
2240 Instructional Staff Development	\$409,567		\$409,567					
2310 Board of Education Services	\$88,527			\$77,246	\$2,083		\$9,198	
2320 Executive Administration Services	\$414,993	\$239,852	\$82,899	\$70,102	\$21,630		\$510	
2410 Office of the Principal Services	\$3,577,592	\$2,373,258	\$1,011,766	\$149,660	\$41,889		\$1,019	
2490 Other Support Services - School Administration	\$0							
2510 Direction of Business Support Services	\$416,808	\$87,907	\$34,584	\$20,973	\$98		\$273,246	
2520 Fiscal Services	\$354,182	\$230,568	\$107,723	\$6,178	\$9,713			
2535 Building Acquisition and Construction and I.M.	\$417	\$417						
2540 Operation and Maintenance of Plant Services	\$169,690	\$107,304	\$45,881	\$15,379	\$821		\$305	
2542 Care and Upkeep of Buildings	\$4,642,533	\$1,377,579	\$721,273	\$2,264,803	\$278,878			
2543 Care and Upkeep of Grounds	\$328,515	\$151,306	\$85,375	\$50,673	\$41,011		\$150	
2544 Maintenance	\$640,358	\$381,897	\$188,081	\$13,674	\$56,556		\$150	
2545 Vehicles	\$90,613			\$23,321	\$67,292			
2552 Vehicle Operation Service	\$2,820,047			\$2,820,047				
2558 Transportation Special Ed.	\$799,859			\$799,859				
2570 Internal Services	\$197,205	\$80,860	\$48,361	\$67,984				
2610 Direction of Central Support Services	\$0							
2620 Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services	\$0							
2630 Information Services	\$25				\$25			
2640 Staff Services	\$302,689	\$174,898	\$81,828	\$28,302	\$17,501		\$160	
2660 Technology Services	\$668,648	\$270,787	\$117,292	\$22,464	\$258,105			
2670 Records Management Services	\$0							
2690 Other Support Services - Central	\$0							
2700 Supplemental Retirement Program	\$899,325	\$324,463	\$574,862					
Total Support Services Expenditures	\$21,397,104	\$8,798,829	\$4,722,241	\$6,615,102	\$972,896	\$0	\$288,036	\$0
Enterprise and Community Services Expenditures								
3100 Food Services	\$0							
3200 Other Enterprise Services	\$0							
3300 Community Services	\$0							
3500 Custody and Care of Children Services	\$0							
Total Enterprise and Community Services Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Facilities Acquisition and Construction Expenditures								
4110 Service Area Direction	\$0							
4120 Site Acquisition and Development Services	\$0							
4150 Building Acquisition, Construction, and Improvement Services	\$0							
4190 Other Facilities Construction Services	\$0							
Total Facilities Acquisition and Construction Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Uses Expenditures								
5100 Debt Service	\$0							
5200 Transfers of Funds	\$35,000							\$35,000
5300 Apportionment of Funds by ESD	\$0							
5400 PERS UAL Bond Lump Sum	\$1,832,811						\$1,832,811	
Total Other Uses Expenditures	\$1,867,811	\$0	\$0	\$0	\$0	\$0	\$1,832,811	\$35,000
Grand Total	\$58,660,108	\$32,113,561	\$14,100,031	\$8,130,736	\$2,117,118	\$12,430	\$2,151,232	\$35,000

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

SUPPLEMENTAL INFORMATION

As Required by The Oregon Department of Education
For The Year Ended June 30, 2006

A. Energy bills for heating - all funds:

	Objects 325 and 326
Function 2540	\$ 1,444,745
Function 2550	0

B. Replacement of equipment - General Fund:

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

Exclude these functions:

	Amount
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

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.

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i>	
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	47
<i>Revenue Capacity</i>	
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	50
<i>Debt Capacity</i>	
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
<i>Demographic and Economic Information</i>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	58
<i>Operating Information</i>	
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 Four Fiscal Years
(accrual basis of accounting)

Governmental Activities

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

Note:

The District implemented GASB 34 beginning in 2002-03. As a result, ten years data is not available. Over time, ten fiscal years will be presented.

Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

Governmental Activities

	Fiscal year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenditures				
Instruction	\$ 33,905,376	\$ 35,492,665	\$ 38,656,948	\$ 38,347,498
Support services	19,179,034	19,800,606	20,811,534	21,962,806
Enterprise and Community Services	1,652,223	1,884,698	1,997,921	2,045,144
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
Total expenditures	<u>61,667,206</u>	<u>62,077,668</u>	<u>67,729,346</u>	<u>70,671,336</u>
Program Revenues				
Charges for services	2,649,976	2,732,738	2,509,632	2,795,934
Instruction	-	-	-	-
Support services	-	-	-	-
Enterprise and Community Services	-	-	-	-
Operating grants and contributions	2,402,192	2,474,175	2,878,652	3,069,900
Instruction	-	-	-	-
Support services	-	-	-	-
Enterprise and Community Services	-	-	-	-
Total program revenues	<u>5,052,168</u>	<u>5,206,913</u>	<u>5,388,284</u>	<u>5,865,834</u>
Net (Expenditures)	(56,615,038)	(56,870,755)	(62,341,062)	(64,805,502)
General Revenues				
Property taxes	31,163,390	33,403,772	35,389,208	38,622,717
State School Fund	21,676,035	26,125,868	24,556,149	28,111,908
Investment earnings	334,120	1,006,349	971,582	924,818
Other	1,037,546	941,620	4,918,708	4,813,585
Gain on disposal of capital assets	-	-	-	-
Total general revenues	<u>54,211,091</u>	<u>61,477,609</u>	<u>65,835,647</u>	<u>72,473,028</u>
Change in Net Assets	<u>\$ (2,403,947)</u>	<u>\$ 4,606,854</u>	<u>\$ 3,494,585</u>	<u>\$ 7,667,526</u>

Note:

The District implemented GASB 34 beginning in 2002-03. As a result, ten years data is not available. Over time, ten fiscal years will be presented.

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal years 1997-2001				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Fund Balances (Deficit)					
Unreserved, reported in					
General Fund	\$ 793,417	\$ 1,172,209	\$ 1,050,141	\$ 897,131	\$ 2,058,946
Special revenue funds	397,179	333,000	92,051	308,406	250,347
Capital projects funds	11,579,160	63,077,930	38,538,387	15,375,186	2,665,898
Debt service funds	3,310,963	4,420,771	4,527,758	3,577,357	3,793,580
Total fund balances	<u>\$ 16,080,719</u>	<u>\$ 69,003,910</u>	<u>\$ 44,208,337</u>	<u>\$ 20,158,080</u>	<u>\$ 8,768,771</u>

	Fiscal years 2002-2006				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Fund Balances (Deficit)					
Unreserved, reported in					
General Fund	\$ 2,141,630	\$ 1,470,692	\$ 2,717,453	\$ 1,020,304	\$ 790,382
Special revenue funds	46,025 ⁽¹⁾	70,504	51,653	65,772	196,097
Capital projects funds	164,006	70,612,018	55,964,637	21,402,101	1,155,172
Debt service funds	3,836,150	2,540,585	3,943,605	3,141,291	2,954,391
Total fund balances	<u>\$ 6,187,811</u>	<u>\$ 74,693,799</u>	<u>\$ 62,677,348</u>	<u>\$ 25,629,468</u>	<u>\$ 5,096,042</u>

Changes in Fund Balance of the General Fund
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal year			
	1997	1998	1999	2000
Revenues				
Local Sources:				
Current and Prior Taxes	\$ 13,696,892	\$ 13,369,784	\$ 13,826,596	\$ 14,686,068
Charges for Service	332,847	397,205	334,244	367,238
Investment Earnings	470,610	566,940	424,593	453,153
Other Local Sources	556,541	592,285	580,049	737,169
Intermediate Sources:	654	724	-	485
State Sources:	18,017,223	22,440,190	23,911,210	25,747,587
Federal Sources	142,397	138,708	125,111	114,883
Total revenues	<u>33,217,164</u>	<u>37,505,836</u>	<u>39,201,803</u>	<u>42,106,583</u>
Expenditures				
Current Operating				
Instruction	22,889,644	23,955,185	25,190,015	25,955,069
Support services	12,105,849	12,937,691	13,991,892	16,176,688
Debt Service	137,035	222,662	130,583	120,830
Total expenditures	<u>35,132,528</u>	<u>37,115,538</u>	<u>39,312,490</u>	<u>42,252,587</u>
Excess (deficiency) of revenues over (under) expenditures	(1,915,364)	390,298	(110,687)	(146,004)
Other Financing Sources (Uses)				
Transfers in	20,000	-	-	-
Transfers out	(10,000)	(10,000)	-	-
Sale of Fixed Assets	-	-	-	-
Total other financing sources (uses)	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,905,364)</u>	<u>\$ 380,298</u>	<u>\$ (110,687)</u>	<u>\$ (146,004)</u>

Fiscal year

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 17,547,764	\$ 18,419,649	\$ 20,869,760	\$ 22,013,568	\$ 19,835,421	\$ 26,166,394
413,735	487,738	525,622	656,797	619,490	763,262
659,091	216,508	168,950	126,805	1,787	397,120
948,442	1,190,029	1,080,658	1,206,576	5,376,766	1,433,564
17,212	20,640	15,233	17,619	15,386	7,356
26,603,070	28,542,128	22,120,091	26,318,728	25,454,757	29,450,704
67,169	199,361	194,214	270,538	205,530	233,776
<u>46,256,483</u>	<u>49,076,053</u>	<u>44,974,528</u>	<u>50,610,631</u>	<u>51,509,137</u>	<u>58,452,176</u>
28,149,465	30,252,980	30,185,016	30,970,934	33,964,564	35,395,193
16,658,598	18,563,079	18,013,979	18,326,190	19,192,064	21,397,104
239,220	94,649	249,977	-	-	1,832,811
<u>45,047,283</u>	<u>48,910,708</u>	<u>48,448,972</u>	<u>49,297,124</u>	<u>53,156,628</u>	<u>58,625,108</u>
1,209,200	165,345	(3,474,444)	1,313,507	(1,647,491)	(172,932)
-	-	-	7,824	-	-
(5,000)	(81,000)	-	(75,000)	(75,000)	(35,000)
-	-	2,794,225	1,610	-	-
<u>(5,000)</u>	<u>(81,000)</u>	<u>2,794,225</u>	<u>(65,566)</u>	<u>(75,000)</u>	<u>(35,000)</u>
<u>\$ 1,204,200</u>	<u>\$ 84,345</u>	<u>\$ (680,219)</u>	<u>\$ 1,247,941</u>	<u>\$ (1,722,491)</u>	<u>\$ (207,932)</u>

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

Fiscal Year Ending June 30	Assessed Value			Total Direct Tax Rate *	Real Market Value			AV as a % of RMV
	Real Property	Personal Property	Total Assessed Value		Real Property	Personal Property	Total Real Market Value	
1997	3,163,038,056	122,079,623	\$ 3,285,117,679	\$ 5.93	\$ 3,163,038,056	\$ 122,079,623	\$ 3,285,117,679	100.0%
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

Source:

Assessors office of both Clackamas and Washington Counties.

* Per \$1,000 of Assessed Value

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**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

District Direct Rates					
Fiscal Year	General Tax Permanent Rate ¹	Local Option	GAP Bond (PERS)	General Obligation Debt Service Bonds	Total Direct Tax Rate
1997	\$ 4.41		\$ -	\$ 1.52	\$ 5.93
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

Overlapping Total Property Tax Rates									
Fiscal Year	City of West Linn	City of Wilsonville	Clackamas Community College	Clackamas County	Clackamas County Education Service Dist	Tualatin Valley Fire & Rescue	Metropolitan Service District		
1997	\$ 2.45	\$ 2.05	\$ 0.49	\$ 2.11	\$ 0.30	\$ 1.52	\$ 0.29		
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		

Permanent tax rates are determined by the State of Oregon Constitution and State Statutes. Existing districts cannot increase their permanent 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 2005-06 is \$1.21. 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 of Portland	Tri-Met	City of Tualatin	Washington County	City of Lake Oswego
\$ 0.08	\$ 0.11	\$ 2.59	\$ 1.35	\$ 4.15
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

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

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ten Largest Taxpayers						
Xerox Corp	\$ 70,836,574	1	1.51%			
PGE	52,846,000	2	1.13			0.00%
Mentor Graphics	46,207,296	3	0.98	63,776,360	1	1.94
Goodman Financial Services	29,475,664	4	0.63			0.00
Nike USA	27,352,816	5	0.58	17,446,950	6	
Bit Holdings Fifty-Seven Inc	25,150,644	6	0.54			
NW Natural Gas	24,300,600	7	0.52			
CH Realty III/Portland Industrial	23,429,076	8	0.50			0.00
Simpson Realty Group	20,928,731	9	0.45			0.00
Specht Wilsonville	19,718,078	10	0.42			
Tektronix (purchased by Xerox)				50,491,660	2	1.54
Payless Drug Stores NW				26,096,750	3	0.79
WCB Nine LTD Partnership				24,339,900	4	0.74
Capital Realty Corp				23,841,460	5	0.73
Security Capital IND Trust				16,067,580	7	0.49
RFD Publications Inc				15,470,040	8	0.47
Sysco/Continental Food Serv				15,031,510	9	0.46
Security Capital RAC Inc				14,039,980	10	0.43
Subtotal of Ten Largest Taxpayers	340,245,479		7.26	266,602,190		6.23
All Other Taxpayers	4,355,107,965			3,018,515,489		
Total All Taxpayers	\$ 4,695,353,444		100.00%	\$ 3,285,117,679		100.00%

Source:
Clackamas County, Division of Assessment and Taxation

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections for Prior Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 18,848,194	\$ 17,449,450	92.58%	\$ 954,631	\$ 18,404,081	97.64%
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

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)

Fiscal Year	Governmental Activities			Per Capita
	General Obligation Bonds	Pension Obligation Bonds	Total Primary Government	
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

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, 2006

<u>Overlapping Issuer</u>	<u>Net Property-tax Backed Debt¹</u>	<u>Percent Overlapping</u>	<u>Overlapping Debt</u>
Clackamas Community College	45,780,000	21.2168	9,713,051
City of West Linn	9,590,000	99.0372	9,497,667
METRO	113,842,201	3.9010	4,440,984
Tri-Met	77,420,000	2.8643	2,217,541
Tualatin Valley Fire & Rescue Dist.	4,130,000	13.7756	568,932
City of Wilsonville	530,000	74.8838	396,884
City of Tualatin	8,320,000	2.5419	211,486
Washington County	48,595,000	0.2159	104,917
Portland Community College	<u>73,895,000</u>	0.0918	<u>67,836</u>
Subtotal, overlapping debt	\$ 382,102,201		27,219,298
Direct District net property-tax backed debt	<u>\$ 134,972,238</u>	100%	<u>134,972,238</u>
Total direct and overlapping debt	<u>\$ 517,074,439</u>		<u>\$ 162,191,536</u>

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.

Source:
Oregon State Treasury, Debt Management Division

**Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2006	
Real Market Value	\$ 6,462,491,042
Debt Limit (7.95%) ¹	513,768,038
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonded Debt	134,972,238
Less: Amount Available in Debt Service Funds	2,954,391
Amount of Debt Applicable to Debt Limit	<u>137,926,629</u>
Legal Debt margin	<u>\$ 375,841,409</u>

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ 261,166,855	\$ 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
Total net debt applicable to limit	<u>52,065,000</u>	<u>102,285,000</u>	<u>100,045,000</u>	<u>97,960,000</u>	<u>94,305,000</u>	<u>89,965,000</u>	<u>157,772,238</u>	<u>151,307,238</u>	<u>143,472,238</u>	<u>137,926,629</u>
Legal debt margin	<u>\$ 209,101,855</u>	<u>\$ 186,282,715</u>	<u>\$ 207,153,793</u>	<u>\$ 236,422,345</u>	<u>\$ 263,275,234</u>	<u>\$ 282,696,561</u>	<u>\$ 245,667,275</u>	<u>\$ 276,538,343</u>	<u>\$ 318,463,038</u>	<u>\$ 375,841,409</u>
Total net debt applicable to the limit as a percentage of debt limit	19.94%	35.45%	32.57%	29.30%	26.37%	24.14%	39.11%	35.36%	31.06%	26.85%

¹ 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:

^A For each grade from kindergarten to eighth for which the District operates schools, fifty-five one-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.

Allowable Percentage of Real Market Value:

^A Kindergarten through eighth grade, 9 x .0055 4.95%

^B Ninth through twelfth, 4 x .0075 3.00%

Allowable Percentage 7.95%

Source

Market value per Clackamas and Washington County Assessors Offices.

Demographic and Economic Statistics
Last Ten Calendar Years
Clackamas County

Year	District Population (Estimated)	County Personal Income (1) (thousands of dollars)	County Per Capita Personal Income (1)	County Unemployment Rate (2)	County Construction Activity (3) (thousands of dollars)
1997	34,060	9,211,358	27,859	3.9	278,140
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

Sources:

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

² 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 Three Fiscal Years**

Full-time Equivalent Employees as of June 30 ^a			
	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Instructional Staff</u>			
Primary, K-3 Instruction	116.51	126.69	117.08
Intermediate, 4-5 Instruction	59.17	57.34	58.43
Middle School Instruction	91.07	89.15	97.52
High School Instruction	100.73	99.49	103.46
High School Activities	1.00	0.94	1.88
Pre-Kindergarten Instruction	2.10	3.42	3.35
Talented & Gifted	2.25	2.30	2.30
High Needs Students	28.96	32.51	35.00
Emotionally Disturbed	0.81		
Resource Rooms	39.66	38.66	40.51
Alternative Education	2.67	1.64	2.86
Charter Schools	0.95		0.81
English - Second Language	4.00	4.88	12.22
CREST	1.00	2.00	2.00
Subtotal Instructional Staff	450.88	459.02	477.42
<u>Support Services Staff</u>			
Counseling	17.60	18.30	17.60
District Nurse	2.75	2.75	2.75
Psychological Services	7.10	6.40	4.90
Speech	8.75	8.79	8.25
Special Services-Direction	3.00	3.00	3.59
Curriculum Development	3.00	2.50	2.20
Curriculum - Direction			0.50
Libraries-Media	22.24	21.38	21.43
Executive Administration	4.00	3.50	2.50
Office of the Principal	41.00	40.94	42.50
Business - Direction	1.00	1.00	1.00
Fiscal Office	5.00	5.00	5.00
Operations Direction	2.00		
Maintenance - Direction	2.00	1.15	2.00
Care & Upkeep of Buildings	37.13	39.00	39.50
Care & Upkeep of Grounds	5.00	5.00	5.00
Maintenance	10.50	0.50	9.50
Warehouse & Distribution	1.00	3.00	3.00
Staff Services - Personnel	3.00	2.50	3.50
Technology Services	3.66		7.00
Subtotal Support Services Staff	179.73	164.71	181.72
Total	630.61	623.73	659.14

Source:
District Budget Office

Notes:

^a General Fund Employees Only
Over time, ten fiscal years will be presented

**Operating Statistics
Last Four Fiscal Years**

Fiscal Year	Student Average Daily				Certified Staff	ADM to Certified
Ending	Membership	Operating Expenses	Cost Per ADM	FTE	Ratio	
June 30						
2002-03	7,430	\$ 51,688,530	\$ 6,957	409		18.2
2003-04	7,477	53,187,023	7,113	413		18.1
2004-05	7,602	61,835,069	8,134	431		17.6
2005-06	7,812	63,580,782	8,138	445		17.6

Operating expenditures are all governmental fund expenditures less debt service and capital outlays. Includes classroom, music, physical education, special education teachers, counselors and librarians.

Source:
District Records

**CAPITAL ASSET INFORMATION
LAST FIVE FISCAL YEARS**

	Fiscal Year					Average Age of Buildings
	2002	2003	2004	2005	2006	(in years)
<u>Schools</u>						
Primary						
Buildings	7	7	7	7	7	45
Square Feet	422,119	422,119	422,119	446,982	446,982	
Capacity	3,465	3,465	3,465	3,719	3,382	
Enrollment	3,413	3,483	3,554	3,560	3,482	
Percent Used	98%	101%	103%	96%	103%	
Middle						
Buildings	3	3	3	3	3	17
Square Feet	268,850	268,850	268,850	282,519	282,519	
Capacity	2,241	2,241	2,241	2,241	2,082	
Enrollment	1,969	1,967	1,941	1,940	1,909	
Percent Used	88%	88%	87%	87%	92%	
High						
Buildings	2	2	2	2	2	36
Square Feet	400,206	400,206	400,206	400,206	500,631	
Capacity	2,717	2,717	2,717	2,717	3,291	
Enrollment	2,414	2,445	2,521	2,446	2,638	
Percent Used	89%	90%	93%	90%	80%	
Other						
Buildings	2	2	2	3	3	5
Square Feet	4,802	4,802	4,802	7,442	7,442	
Administration						
Buildings	1	1	1	1	1	75
Square Feet	21,000	21,000	21,000	21,000	21,000	
Maintenance						
Buildings	3	3	5	5	5	12
Square Feet	23,220	23,220	40,020	40,020	40,020	

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

Auditors' Comments and Disclosures



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

OCTOBER 27, 2006

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WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J

CLACKAMAS COUNTY, OREGON

2005-2006 AUDITORS' COMMENTS AND DISCLOSURES

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, 2006, and have issued our report thereon dated October 27, 2006.

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, 2006, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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.

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J
CLACKAMAS COUNTY, OREGON
2005-2006 AUDITORS' COMMENTS AND DISCLOSURES

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

A material weakness is a reportable condition 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 District uses an in-house data processing system. The system is adequate to meet the audit requirements.

2005-2006 AND 2006-2007 BUDGETS

The budgets adopted by the District 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 by the District 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, 2006, except as noted on page 22.

COLLATERAL SECURING BANK DEPOSITS

The District's deposits appeared to be adequately covered by federal depository insurance or certificates of participation at all times during 2005-2006, based upon our testing. At no time throughout the year were the District's deposits not fully collateralized. Deposits in the State Local Government Investment Pool are not required to be collateralized.

INVESTMENTS

The District's investments for the year ending June 30, 2006, 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 District's procedures for awarding public contracts were reviewed and based upon our testing we found no instances of non-compliance with ORS Chapter 279 during 2004-2005.

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J
CLACKAMAS COUNTY, OREGON
2005-2006 AUDITORS' COMMENTS AND DISCLOSURES

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 District's bonded debt outstanding was within the provisions of ORS 552.645.

OUTSTANDING WARRANTS

The District had no outstanding endorsed warrants at June 30, 2006.

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 the District's compliance with the requirements of ORS 327.013 as further defined by the Oregon State Department of Education pertaining to the District's calculations and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2006.

Based on the work described above, we have found no instances where the District did not comply with the rules and regulations pertaining to the District's calculation and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2006.

STATE HIGHWAY

The District had no programs funded from state highway funds during the year ended June 30, 2006.


PAULY, ROGERS AND CO., P.C.

Grant Compliance Review

WEST LINN - WILSONVILLE SCHOOL DISTRICT NO. 3JT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Period Covered</u>	<u>Expenditures</u>
U.S. Department of Education				
Passed through Oregon Department of Education:				
Title I Grants to Local Educational Agencies	84.010A	01-26-010	07/01/05-09/30/06	\$ 299,769
Total Title I				299,769
Safe and Drug Free Schools and Communities - State G	84.186A	EE029886	07/01/04-09/30/05	
Safe and Drug Free Schools and Communities - State G	84.186A	EE037408	07/01/05-09/30/06	11,408
Total Title IV				11,408
Charter Schools	84.282A	N/A	06/30/05-09/30/06	169,301
Title V Innovative Education	84.298A	EE030250	7/1/05-9/30/06	18,395
Total Title V				18,395
Title IID - Education thru Technology	84.318X	03-160	7/1/05-9/30/06	5,215
Title III - Language Instruction	84.365A	EE038499	7/1/05-9/30/06	17,460
Title IIA - Teacher Quality	84.367A	EE035988	7/1/05-9/30/06	148,578
IDEA Special Education - Grants to States	84.027B	03/04-33	7/01/04-12/31/05	899,426
	84.027A	01/01-129	7/01/05-12/31/06	286,480
Total IDEA				1,185,906 (1)
Passed thru Clackamas County ESD				
Title I Migrant Education	84.011A	EE038806	7/1/05-9/30/06	9,226
Vocational Education - Basic Grants to States	84.048A	EE029278	7/1/05-6/30/06	20,432
Passed thru Oregon Department of Human Services				
Oregon Ready to Learn		2003-05048		31,620
Youth Transition Program	84.126A	84-803	7/1/05-6/30/06	37,594
Total Youth Transition Program				37,594
Total U.S. Department of Education				1,954,904

WEST LINN - WILSONVILLE SCHOOL DISTRICT NO. 3JT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>	<u>Period Covered</u>	<u>Expenditures</u>
U.S. Department of Agriculture:				
Passed through Oregon Department of Education:				
Food Donation	10.550		7/1/05-6/30/06	<u>76,622</u>
Child Nutrition Cluster:				
School Breakfast Program	10.553		7/1/05-6/30/06	30,351
National School Lunch Program	10.555		7/1/05-6/30/06	<u>346,156</u>
Total Child Nutrition Cluster				<u>376,507</u>
Passed through Clackamas County, Oregon				
Federal Forest Fees	10.665		7/1/05-6/30/06	<u>202,156</u>
Total U.S. Department of Agriculture				<u>655,285</u>
TOTAL FEDERAL GRANTS				<u><u>2,610,189</u></u>

(1)=Major program

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PAULY, ROGERS AND CO., P.C.

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October 27, 2006

To the Board of Education
WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J
CLACKAMAS COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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, 2006, and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

In planning and performing our audit, we considered West Linn-Wilsonville School District 3J's Clackamas County, Oregon, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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

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

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 27, 2006

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To the Board of Education
WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J
CLACKAMAS COUNTY, OREGON

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

We have audited the compliance of West Linn-Wilsonville School District 3J Clackamas County, Oregon 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, 2006. West Linn-Wilsonville School District 3J Clackamas County, Oregon major federal programs are identified in the accompanying schedule of expenditures of federal awards. 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 Clackamas County, Oregon management. Our responsibility is to express an opinion on West Linn-Wilsonville School District 3J Clackamas County, Oregon compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 West Linn-Wilsonville School District 3J Clackamas County, Oregon compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Linn-Wilsonville School District 3J Clackamas County, Oregon compliance with those requirements.

In our opinion, West Linn-Wilsonville School District 3J Clackamas County, Oregon 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, 2006.

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J
October 27, 2006

The management of West Linn-Wilsonville School District 3J Clackamas County, Oregon is responsible for establishing and maintaining effective internal control over compliance with 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 Clackamas County, Oregon internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

WEST LINN-WILSONVILLE SCHOOL DISTRICT 3J
CLACKAMAS COUNTY, OREGON
SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS
AND QUESTIONED COSTS RELATIVE TO FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

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, 2006:

IDEA – CFDA #84.027

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.

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