



# Northwest Regional Education Service District Comprehensive Annual Financial Report

For The Fiscal Year Ended  
June 30, 2020



**Dan Goldman, Superintendent**

**Tami Montague, Chief Financial Officer**

Prepared by Fiscal Services Department

5825 NE Ray Circle Hillsboro, OR 97124



**NORTHWEST REGIONAL EDUCATION  
SERVICE DISTRICT**  
Hillsboro, Oregon

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Superintendent

Tami Montague  
Chief Financial Officer

Prepared by:  
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**Northwest Regional**  
Education Service District



## INTRODUCTORY SECTION





## NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

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October 8, 2020

### To the Board of Directors of Northwest Regional Education Service District Hillsboro, Oregon

Oregon Municipal Audit Law requires that an independent audit be made of all District funds within six months following the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report of the Northwest Regional Education Service District (the District) for the fiscal year ended June 30, 2020 is hereby submitted.

The District's Fiscal Services Department prepared this report. 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 to both protect 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.

### FINANCIAL STATEMENT PRESENTATION

Designed to meet the needs of a broad spectrum of financial statement readers, this Comprehensive Annual Financial Report (CAFR) is divided into five major sections:

The *Introductory Section* includes this transmittal letter, the District's organizational chart, the Certificate of Achievement awarded for the District's 2019 CAFR and the District's Board of Directors.

The *Financial Section* includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the basic financial statements including notes to the basic financial statements, required supplementary information, and other supplementary information including the combining and individual fund financial statements as well as other financial schedules.

The *Statistical Section* includes selected financial and demographic information, generally presented on a multi-year basis.

The *Single Audit Section* includes reports from the independent auditor regarding compliance requirements of the U.S. Office of Management and Budget (OMB) Uniform Guidance Compliance Supplement for major federal programs.



The *Compliance Section* contains the independent auditor's report required by the Minimum Standards for Audits of Oregon Municipal Corporations.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors, beginning on page 7.

## **PROFILE OF THE DISTRICT**

The Northwest Regional ESD is the largest and most diverse education service district in the state. Two of Oregon's largest school districts - Beaverton and Hillsboro - reside in the urban parts of Washington County while many smaller, more rural districts reside along the Columbia River, Coast Range Mountains and Pacific Ocean. The District's service area includes 20 component school districts and more than 180 public schools in Clatsop, Columbia, Tillamook, and Washington counties - spanning approximately 3,500 square miles across the northwest corner of Oregon. The Regional Office is located in Hillsboro, with additional service centers located in Astoria, St. Helens, and Tillamook.

Education service districts (ESDs) originated in Oregon's first laws establishing a system of public schools, and throughout the history of the state, governance and statutes concerning the mission of ESDs has remained constant: "Education Service Districts assist school districts and the State of Oregon achieving Oregon's education goals by providing excellent and equitable educational opportunities for all Oregon public school students." Today, there are 19 ESDs serving Oregon's 36 counties.

The ESD is governed by a nine-member board consisting of five elected directors, each representing a specific geographic zone in the region, and four appointed directors from each of the following regional groups: higher education, social services, the business community, and one at-large member. Together, these volunteer community members work closely with the ESD's superintendent to determine district policies and ensure the highest quality programs and services are being delivered to schools in the region.

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

## **LOCAL SERVICE PLAN**

Every Oregon ESD, working with their component school districts, must annually develop a Local Service Plan (LSP) which determines how the State School Funds (SSF) will be used. Ninety percent of the SSF revenue received by an ESD is subject to this process. The Local Service Plan determines programs and services that the ESD will offer its component districts for the following fiscal year.

The LSP must include services from at least the following categories: special education, technology, school improvement and administration. The LSP must also include any "entrepreneurial services" that the ESD intends to offer to any entity either outside of the ESD boundary or inside the ESD boundary but not a component school district.

Under the Resolution Process, at least two-thirds of the school districts in an ESD, representing more than one-half of the student population, must approve the Local Service Plan.



Northwest Regional ESD uses the following methodology to distribute SSF revenues to component school districts (other Oregon ESDs use different models):

10% of the ESD's state support goes to operating the agency, and the remaining 90% is reserved for programs and services provided to our component school districts.

25% of the 90% goes to Core Services - those services agreed upon by the districts that are offered by the ESD. In 2019-20 Core Services included:

- Professional Development
- Specific Technology Services
- Home School Registration
- Emergency Closure Network
- Service Center Administration

The remaining 75% of the 90% is allocated in Service Credits based on each component school district's enrollment. The ESD offers a menu of services that districts may purchase using their Service Credits. In 2019-20 the Local Service Plan Menu included:

#### Instruction and School Services

- Cascade Education Corps
- Diverse Educator Pathway Program
- Equity Professional Development
- Fire Science
- GED Services
- NW Promise
- Outdoor School
- Truancy/Attendance
- Willamette Promise

#### Special Student Services

- Deaf and Hard of Hearing Classroom
- Social and Emotional Learning Schools
- EI/ECSE Evaluations
- Translators
- Youth Transition Program (Clatsop County)
- School Age ASD Evaluations

#### Staffing Services

- Contracts for Classified Personnel
  - ASL
  - Certified Occupational Therapists
  - Educational Assistants
  - Licensed Physical Therapy Assistants
  - Nursing Services
  - Speech Language Pathologist Assistant



- Contracts for Licensed Personnel
  - Audiologist
  - Brailist
  - Occupational Therapist
  - Physical Therapist
  - Registered Nurse
  - Aug Comm/Assistive Technology Specialist
  - Autism Spectrum Disorder Teacher
  - Special Education Teacher
  - School Psychologist
  - Speech Language Pathologist
  - Vision Teacher

#### Technology Support Services (not Core)

- Application Development Services
- District Level Technology Support
- Infinite Visions
- Learn 360
- TEC Membership

#### Miscellaneous Services

- Business/Payroll Services
- Human Resources Consultation
- Medicaid Reimbursement Support
- Spanish Language Interpretation & Translation
- Substitute Services

### **STATE, FEDERAL, PRIVATE CONTRACTS AND GRANTS**

While the majority of funding for the services we offer comes through the State School Fund via the Local Service Plan, the ESD also procures funding from other sources to support the mission of the agency.

State, federal, and private contracts and grants for the following services were a major source of funding in 2019-20.

#### EARLY INTERVENTION/EARLY CHILDHOOD EDUCATION SERVICES (EI/ECSE) - STATE CONTRACT

Our Early Intervention/Early Childhood Special Education program (EI/ECSE) offers special services and support to families with children who have developmental delays or disabilities. All children from ages birth to 5 can be referred for a free screening or evaluation. Once a child is referred, our EI/ECSE evaluation team conducts an evaluation to determine whether the child qualifies for services.

Every year, the Oregon Department of Education determines eligibility requirements. Our EI/ECSE evaluation team includes early childhood education specialists, speech-language pathologists, occupational therapists, physical therapists and school psychologists. The team reviews the child's medical history and assesses development, speech, language and behavior. They also conduct a psychological assessment if needed. Three types of evaluations are conducted. The first is a review of existing records only (File



Review), the second assesses one developmental area (Partial Review) and the third assessed two or more developmental areas (Full Review). We provide interpreters for families who are not fluent in English.

During 2019-20 the EI/ECSE team provided the following services:

- 2,205 children received evaluations
- Average number of children served each month:
  - Astoria: 63
  - Banks: 17
  - Beaverton: 922
  - Clatskanie: 28
  - Forest Grove: 169
  - Gaston: 13
  - Hillsboro: 613
  - Jewell: 6
  - Knappa: 21
  - Neah-Kah-Nie: 14
  - Nestucca Valley: 8
  - Rainier: 33
  - Scappoose: 54
  - Seaside: 53
  - Sherwood: 78
  - St. Helens: 116
  - Tigard-Tualatin: 293
  - Tillamook: 61
  - Vernonia: 16
  - Warrenton-Hammond: 40

#### LOW INCIDENCE REGIONAL PROGRAMS (LIRP) - STATE CONTRACT

Regional services are provided as part of Oregon's Low-Incidence Regional Programs (LIRP). Low-Incidence Disabilities represent less than 1% of the population. Regionally eligible disabilities include:

- Autism Spectrum Disorders (ASD)
- Blind / Vision Impairment (BVI)
- Deaf / Hard of Hearing (D/HH)
- Deaf-Blind
- Orthopedic Impairment (OI)
- Traumatic Brain Injury (TBI)

Because schools encounter these students infrequently, it may be challenging to offer the highly specialized training and support needed. The LIRP model offers high quality services to every part of the state, no matter how big, small, or remote the district. NWRESA is the regional contractor for Region 8, which includes Washington, Columbia, Clatsop, and Tillamook Counties. We partner with our 20 component districts to provide specialists, training, and resources to students, educators, and families.

In 2019-20 LIRP services reached the following number of students:

- 2,138 students received autism services
- 253 students received hearing services
- 143 students received services for severe orthopedic impairment



- 104 students received vision services
- 10 students received deafblind services
- 26 students received traumatic brain injury services
- 8 students were served through the Groner Deaf and Hard of Hearing Program

#### MIGRANT EDUCATION & ENGLISH LANGUAGE LEARNERS (ELL) - FEDERAL TITLE GRANTS

Our Migrant and ELL team supports and collaborates with school districts to develop and implement ELL and migrant education plans that are compliant with state and federal guidelines. Our team also makes sure every student has equitable access to education.

Our English Language Learner program is the hub for a network of districts that work collaboratively in order to strengthen core instructional programs for English Learners. With a heavy emphasis on training teachers in research-based teaching strategies, the consortium also supports efforts aimed at parent engagement.

Major areas of focus for the Migrant Education program include parent engagement, student empowerment and graduation, and partnering with families to prepare children for kindergarten. We are proud to collaborate with partner districts in serving children and families throughout our region.

Children whose parents work in agriculture, fishing and timber industries may be eligible for the Migrant Education program. Recruiters work directly with families to determine eligibility and to explain program benefits such as parent training, youth leadership development, access to no cost meals and free accident insurance.

#### NORTHWEST EARLY LEARNING HUB - STATE CONTRACT

Our Northwest Early Learning Hub collaborates with community-based partners to support child care that is child-centered, family-friendly and culturally and linguistically appropriate. This program supports child care providers, families and children in Clatsop, Columbia and Tillamook counties.

#### NORTHWEST REGIONAL CHILD CARE RESOURCE AND REFERRAL - STATE GRANT

Our Northwest Regional Child Care Resource and Referral program exists to support child care and education providers in Clatsop, Columbia and Tillamook counties. We help child care providers access training opportunities and advance their careers. We also assist with licensing and help providers who want to improve the quality of their services through the Spark program.

#### NORTHWEST STEM HUB - STATE AND PRIVATE GRANTS

Our Northwest STEM Hub works in Clatsop, Columbia and Tillamook counties to create and elevate science, technology, engineering and math (STEM) opportunities throughout the region. The hub partners with K-12 and higher educators, staff from community-based organizations, families and industry collaborators to promote authentic in-school and out-of-school STEM experiences.

#### PROFESSIONAL LEARNING NETWORK - LSP AND PRIVATE GRANTS

Using the strengths of our team and educators in our region, we facilitate deep and culturally sustaining learning through a collective process that supports transformative teaching in the service of equitable



outcomes for each student. This year, we are supporting cohorts of educators on three topics. These include 9th grade success, early learning, and school culture and climate.

#### REGIONAL EDUCATOR NETWORK - STATE GRANT

The Oregon legislature created the Educator Advancement Council in 2017 to provide support to Oregon's educator workforce. In 2019, NWRESD received funding to bring together a coordinating body that will determine how to best spend \$2.5 million per year for the 2019-21 biennium. The group will focus on every stage of an educator's career trajectory, including recruitment, preparation, early career support, professional growth and development and career advancement. There are nearly 6,000 educators working within the region the network will support.

### **KEY ACCOMPLISHMENTS FROM 2019-20**

#### IMPLEMENTATION OF THE STUDENT SUCCESS ACT

During 2019-20, NWRESD worked side-by-side with all 20 of our component districts to ensure the Student Success Act implementation would be a success. Our staff organized, trained, led and evaluated the community engagement efforts for 14 school districts, including the largest in our region, Beaverton, and the smallest, Nestucca Valley. These efforts sought to ensure districts were including the voices of everyone in their communities while developing plans for implementing additional funding from the historic Student Success Act legislation that passed in 2019.

All 20 districts leaned on us for Student Investment Account planning and coaching, which seeks to address mental and behavioral health needs and reduce academic disparities for student groups that have been historically disadvantaged. We led workshops with educators and school boards that centered equity, community, staff and student voice. We also designed initiatives and spending plans that were research-based and relied on best practices.

The director of research, assessment and evaluation provided data analysis and longitudinal growth target setting for all school districts. He will continue to monitor the data as districts implement their plans. The director of communications has provided real-time communications support and tool development for most districts. We also provided grant writing services to half of the districts as they seek additional preschool promise funding from the Early Learning Division.

#### NORTHWEST REGIONAL EDUCATOR NETWORK PLAN FACILITATION AND DEVELOPMENT

Led by Mariana Zaragoza, Ph.D., the Northwest Regional ESD Regional Educator Network met 12 times during 2019-20. The [Educator Advancement Council \(EAC\)](#) tasked the body with creating a plan that centers educator voices to spark meaningful systemic changes for our region's public educators.

The 13-member coordinating body identified retention and recruitment as the plan's focus areas. To arrive at the plan, members conducted nearly 50 empathy interviews with regional educators who are black, indigenous, people of color (BIPOC), hosted two listening sessions for educational leaders, and reviewed available data specific to our region.

The network identified seven change ideas that will be planned, implemented and tested by educators at all levels. The work will support the expansion of ideas that have been designed by and for the communities



they intend to serve. The change ideas that show promising results for systemic change will be scaled up across school districts to form Network Improvement Communities.

Between 2020-23, the plan will fund \$2.5 million in community-driven ideas to retain and recruit diverse educators.

#### SUPPORT THROUGH THE COVID-19 PANDEMIC

NWRESD sprang to action as a regional coordinator when COVID-19 started spreading in our communities. Starting in March, NWRESD Superintendent Dan Goldman and Deputy Superintendent Sarah Pope convened regional meetings with the 20 superintendents in our region. They facilitated support to help districts react to the rapidly shifting landscape, including communications assistance, government affairs, legal advising, and more. NWRESD also served on a task force with state leadership in order to plan a coordinated response for Oregon's students.

Our technology team distributed WiFi hotspots and chromebooks so that students could attend virtual classes. The team also developed distance learning infrastructure to enable online education for students.

Our professional learning team and technology team designed a pedagogical and technical training program to help regional educators engage students in a virtual learning environment. Training was then delivered in the 2020-21 fiscal year.

#### SPOTLIGHT ON THE MIGRANT EDUCATION PROGRAM'S RESPONSE TO THE COVID-19 PANDEMIC

When COVID-19 arrived in the Pacific Northwest in March, it hit the migrant community particularly hard. Families turned to the NWRESD migrant education program team for help accessing rental assistance, food, personal protective equipment such as masks, cleaning products and health supplies such as thermometers.

They also leaned on our team for emotional support. Like everyone else, they were grieving the lost expectations of a summer that would not be fully realized. They were worried about money and work and their family's safety.

When a mother tested positive for COVID-19, Rosa Gilbert, bilingual migrant education program manager and title III consortium manager, talked her through what the quarantine period would look like. Not being able to provide home-cooked meals for her children for 14 days was unthinkable to this mother. Being the provider of food and nourishment for her children was part of her identity. Rosa assured her that her eldest son would be able to prepare meals for his younger siblings. Then she drove to her house with masks, hand sanitizer and a bag of easy-to-prepare meals and snacks. This mother is now fully recovered.

In all, the team distributed 500 cloth masks, close to 1,000 N95 masks and 100 bottles of hand sanitizer. They've also distributed 175 food bags.

Fortunately, none of the families they work with lost their lives to COVID-19. But several have lost loved ones and in some cases, have been unable to travel home to grieve.

In addition to all of this pandemic-related work, the team also ran four different summer programs like they do most summers—partnering with NWRESD's Early Learning Hub, Northwest STEM Hub, Diverse Educator Pathways and the Professional Learning team.



Summer 2020 was a summer unlike any other and we congratulate our migrant team for rising to the occasion and making a difference in the lives of hundreds of our region's most vulnerable families. They have demonstrated leadership, inspired action and encouraged others in our region to deepen their partnerships with families during these challenging times.

#### NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT RECEIVES PRESTIGIOUS HONOR FROM CARNEGIE FOUNDATION

In October 2019, Northwest Regional Education Service District's Ninth Grade Success Network was recognized for the work it is doing to improve educational outcomes in northwest Oregon.

The Carnegie Foundation for the Advancement of Teaching selected the network—which focuses on improving the numbers of students on track to graduate by the end of their first year of high school—to participate in its 2019 Spotlight on Quality in Continuous Improvement Program. In its invitation letter, the foundation wrote that it has received many applicants but could only select three recipients for this honor.

“We are thrilled to honor the exemplary efforts of the Northwest Regional Education Service District and share out into the education field practical lessons from their efforts,” says Anthony Bryk, President of the Carnegie Foundation.

“NWRESD's ability to use improvement science methods to make measurable improvement on ninth grade on-track rates at a large scale, especially within the context of supporting deeper learning to advance equitable outcomes for every student, can serve as a model for the many other districts working to do the same.”

As part of the recognition, two leaders of the Ninth Grade Success Team at NWRESD traveled to Washington, D.C. for the Carnegie Foundation's Spotlight on Quality Symposium. The event was held Nov. 21 at the National Press Club.

Ninth Grade Success Team members include Professional Learning Specialists Kimberley Ednie, Daniel Ramirez (took a position with the Educator Advancement Council in 2020) and Laura Kanter Fellows and Education Research and Data Specialist Wylie Wan.

“Our team spent the past two years working side-by-side with educators in our region to develop systems and adult practices to ensure ninth graders experience school as a place focused on culturally sustaining work and deeper learning,” said Erin Lolich, Director of Professional Learning (took a position with the Children's Institute in 2020). “I'm so proud of their work and its impact on our region's students.”

NWRESD's Professional Learning Networks began in 2016 to support educators across the 20-district region through sustained, team-based professional learning. It now includes nine staff members who focus on improving early learning outcomes, school climate and culture, and college and career readiness.

The network follows a continuous improvement model, which takes a user-centered and problem-centered approach to improving teaching and learning. Educators and student participants are encouraged to identify a problem and then deploy rapid tests of change to develop, revise and fine tune tools, processes, roles and relationships to solve that problem. There are currently 56 school teams participating in the networks. Nine are focused on early learning, 16 are focused on school climate and culture and 31 are focused on ninth grade success.



Since 2015-16, ninth grade on track rates in the region have risen across the board. For example, in 2017-18 75% of Latinx ninth graders were on track to graduate, meaning they had completed at least six credits before the start of sophomore year. The 2018-19 rate for Latinx students was 82%, an increase of 7%.

“Our region is making a difference in educational outcomes by using a multi-year approach in which school teams learn with and from one another and centering student experiences, especially historically underserved students,” Lolich said.

## **VISION FOR THE FUTURE: THE 2020-25 STRATEGIC PLAN**

After hundreds of conversations with community members, staff, school district partners and our students, our agency has developed a 2020-25 strategic plan. A 28-member strategic plan work group outlined a vision and the six collective commitments for our staff to collaborate on to achieve that vision. These include:

1. Cultivate anti-racism, multiculturalism, and diverse racial perspectives in program design, continuous improvement, and decision-making;
2. Create culturally sustaining learning environments that ensure each student is safe, known, and connected;
3. Establish high expectations for achievement and personal growth for each student;
4. Utilize culturally sustaining, research-based practices for designing and delivering instruction;
5. Develop authentic, reciprocal, and inclusive partnerships with our diverse students, families, and community partners;
6. Seek, organize, and allocate resources towards achieving these commitments.

The plan also defines the strategies and metrics that we believe will help us track our progress and accomplish success. In the months and years ahead, we will define specific activities and projects, create a metrics dashboard and communicate about our agency’s strategic plan work.

### MISSION, VISION AND VALUES

#### MISSION:

In partnership with the communities we serve, Northwest Regional Education Service District improves student learning by providing equitable access to high-quality services and support.

#### VISION:

Every student educated, equipped, and inspired to achieve their full potential and enrich their communities.

#### VALUES:

Student Success | Partnership | Equity | Innovative Service

### COLLECTIVE COMMITMENTS

Every student will be educated, equipped, and inspired to achieve their full potential and enrich their communities, when all NWRESD staff work in collaborative teams to:

1. Cultivate anti-racism, multiculturalism, and diverse racial perspectives in program design, continuous improvement, and decision-making;



2. Create culturally sustaining learning environments that ensure each student is safe, known, and connected;
3. Establish high expectations for achievement and personal growth for each student;
4. Use culturally sustaining, research-based practices for designing and delivering instruction;
5. Develop authentic, reciprocal, and inclusive partnerships with our diverse students, families, and community partners;
6. Seek, organize, and allocate resources toward achieving these commitments.

## ECONOMIC CONDITION AND OUTLOOK

The headquarters of Northwest Regional ESD is located in Washington County on the western edge of the City of Portland. Washington County is the second largest and fastest growing urban county in Oregon, with approximately 610,000 citizens. The community is Oregon's most ethnically diverse, drawing immigrants from Europe, Central and South America, Asia, Indo-China, the Pacific nations and Africa. The result of that diversity is that residents and institutions alike reflect a global perspective.

The County is 727 square miles and includes a portion of the City of Portland and fifteen other incorporated cities including Hillsboro, Beaverton, Tigard and Tualatin.

The County is part of the Portland-Vancouver Metropolitan Statistical Area (Portland PMSA), which includes Clackamas, Columbia, Multnomah, Washington and Yamhill Counties in Oregon and Clark and Skamania Counties in Washington. The economy of the Portland metropolitan area is broad and widely diversified. The Portland PMSA includes the State's largest employers, including Intel, Providence Health System, Oregon Health & Sciences University, Legacy Health System, Fred Meyer, Kaiser Foundation Health Plan, and Nike.

The area's current economic base includes electronics, manufacturing, construction, food processing, agriculture and timber. Washington County accounts for approximately 75 percent of the high-tech industry jobs in Oregon. These employers include Intel, Tektronix and Genentech. Intel is currently the largest employer in the Portland PMSA with 20,600 employees.

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

During the last quarter of fiscal year 2019-20, with the Covid-19 pandemic outbreak, we faced unprecedented public health, economic, and educational challenges at the local, national and global levels. The economic impacts of the pandemic are only just beginning to be seen; the short- and long-term effects remain a mystery. According to the Bureau of Labor Statistics, at the end of June 2020, the Portland-Vancouver-Hillsboro unemployment rate was 11.8%, as compared to the Oregon unemployment rate of 11.8% and the nation's rate of 11.2%. By comparison, the June 2019 Portland-Vancouver-Hillsboro unemployment rate was 3.8%. Clearly, with the sudden uptick in unemployment rates and a public education system funded primarily through income tax revenue, economic factors are more uncertain and likely more complex than ever before.



## LONG-TERM FINANCIAL PLANNING

The Northwest Regional Education Service District is funded primarily through local property taxes and by the State of Oregon based on the State School Fund formula. State funding is heavily dependent on personal income tax collections, and is subject to fluctuation based on the overall economic status of the state. To help the District weather these fluctuations, Board policy requires an unrestricted ending fund balance in the General Fund that is equal to at least 8 percent of total adopted revenues, less the amount allocated for transfer to component school districts.

The ESD will continue to communicate with its districts and other state agencies in preparation for the 2021 Legislative Session. The budget process for the 2021-22 fiscal year will begin in January 2021.

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Northwest Regional Education Service District for its comprehensive annual financial report for the year ended June 30, 2019. This was the thirteenth consecutive year that the ESD has received this prestigious award. In order to be awarded a Certificate of Achievement, the ESD must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America 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 GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGEMENTS

We would like to express our appreciation to all ESD staff that assisted and contributed to this report. In particular, to our Fiscal Services Department, Communications Team, Leadership Team and our Board Members for their unfailing support for maintaining the highest standards of professionalism in the management of the Northwest Regional Education Service District.

Respectfully submitted,

Dan Goldman  
Superintendent

Tami Montague  
Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

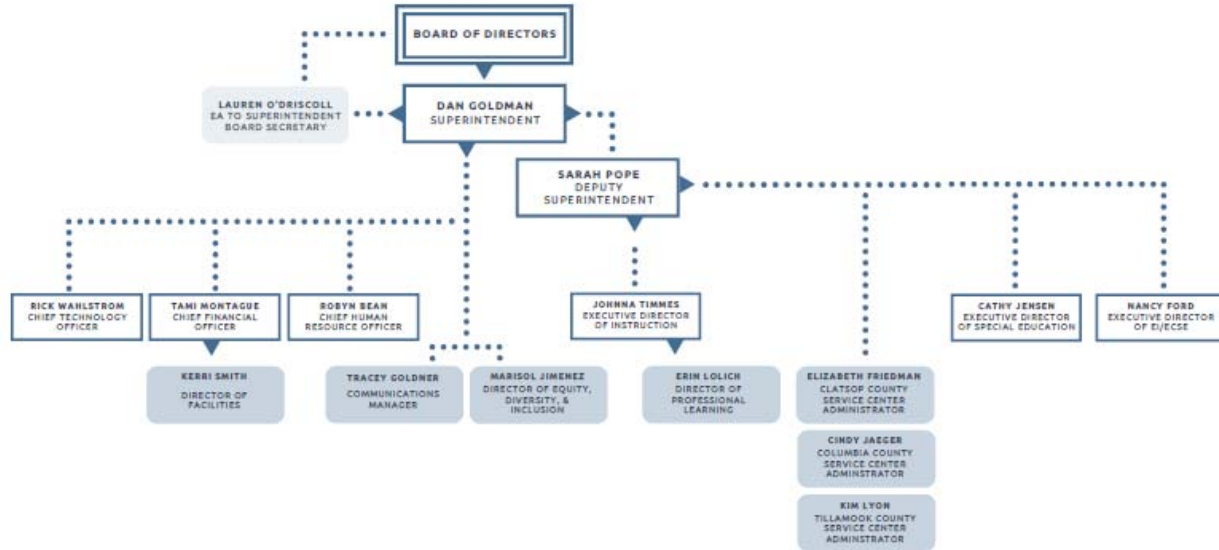
**Northwest Regional Education  
Service District, Oregon**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO



2019-20 ORGANIZATIONAL CHART



**Northwest Regional Education Service District**

5825 NE Ray Circle  
Hillsboro, OR 97124

Dan Goldman – Superintendent  
Sarah Pope - Deputy Superintendent  
Tami Montague – Chief Financial Officer  
Roby Bean – Chief Human Resource Officer  
Rick Wahlstrom - Chief Information Officer

**Board of Directors as of June 30, 2020**

Chair

Karen Cunningham - Zone 5  
Portland, OR 97225  
Term expires: June 30, 2023

Vice Chair

Lisa Poehlitz - Zone 3  
Sherwood, OR 97140  
Term expires: June 30, 2025

Christine Riley - Zone 1

Gaston, OR 97119  
Term expires: June 30, 2025

Tony Erickson – Zone 4

Term expires: June 30, 2022

David Hollandsworth - Zone 2

Tillamook, OR 97141  
Term expires: June 30, 2023

Renee Bruce – Social Service

Beaverton, OR 97007  
Term expires: June 30, 2022

Ross Tomlin - Higher Ed

Term expires: June 30, 2022

Marilyn McGlasson - At-Large

Hillsboro, OR 97124  
Term expires: June 30, 2023

DaWayne Judd – Business

Term expires: June 30, 2024





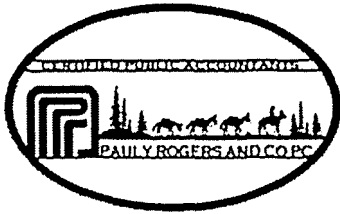
## FINANCIAL SECTION



# **INDEPENDENT AUDITOR'S REPORT**



**Northwest Regional**  
Education Service District



PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcocpas.com

October 8, 2020

### INDEPENDENT AUDITORS' REPORT

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

#### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Northwest Regional Education Service District (the District), as of and for the year ended June 30, 2020 and the related notes to the basic financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express opinions on these basic 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 audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Northwest Regional Education Service District, as of June 30, 2020, and the respective changes in financial position and budgetary comparisons for the general fund, and special revenue fund, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Schedules of funding progress or employer contributions for post-employment health benefits and RHIA or the Schedules of net pension liability or contributions for PERS or management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

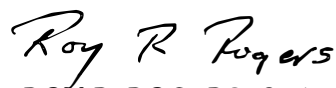
### *Other Information*

The introductory, statistical sections, and other financial schedules as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Reports on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our reports dated October 8, 2020 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 8, 2020, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

  
ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**Northwest Regional**  
Education Service District

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

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As management of Northwest Regional ESD (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020.

**FINANCIAL HIGHLIGHTS**

- In the government-wide statements, the liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at June 30, 2020 by \$29.64 million. Of this amount, \$7.75 million represents the District's investment in capital assets net of related debt, \$2.72 million is restricted for grants, contracts, capital projects, component district activities and OPEB Asset (RHIA), and the deficit of \$40.11 million is unrestricted.
- The District's total net position decreased by \$6.98 million for the fiscal year, a 30.8 percent decline in the District's financial position as compared to the prior year, mainly due to the increase in PERS net pension liability.
- The District's governmental funds report combined ending fund balance of \$6.72 million, an increase of \$0.48 million in comparison with the prior year. Approximately 67.5 percent of the \$6.72 million, \$4.53 million, constitutes unassigned ending fund balance, which is available for spending at the District's discretion.
- At the end of the current fiscal year, the unrestricted fund balance for the General Fund was \$4.53 million, or about 9 percent of total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The 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** 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 Position.** The *Statement of Net Position* presents information on all of the assets and liabilities of the District with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position 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

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

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vacation leave). In the government-wide financial statements, the District’s activities are shown in two categories, governmental and business-type.

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

**Business-type Activities.** These are functions that intend to recover all or a significant portion of their costs through user fees and charges. The primary business-type activity is technology services.

The government-wide financial statements can be found on pages 19 and 20 of this report.

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

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

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

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

The basic governmental fund financial statements can be found on pages 21 and 23.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

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**Proprietary Funds.** The District maintains one proprietary fund type (enterprise fund). This fund is an accounting device used to allow entrepreneurial activities to be tracked separately from other functions.

Entrepreneurial functions primarily consist of contracted technology services. These funds are combined into a single, aggregated presentation in the basic financial statements.

The basic proprietary fund financial statements can be found on pages 27 - 29.

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

The basic fiduciary fund financial statement can be found on page 30.

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

The notes to the basic financial statements can be found on pages 31 - 63.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information (RSI)* including the PERS and Other Post Employment Benefit (OPEB) schedules detailing ten years of (assets)/liabilities and contributions.

Required Supplementary information can be found on pages 67 - 69.

*Other supplementary information* includes budgetary comparison for nonmajor and other funds can be found on pages 73-76.

Other financial schedules concerning the District’s operations can be found on pages 77-86.

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

The Statistical Section can be found on pages 87 – 104.

**GOVERNMENT – WIDE FINANCIAL ANALYSIS**

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows or resources exceeded assets and deferred outflows or resources by \$29.64 million at June 30, 2020.

	<b>Statement of Net Position</b>		<b>June 30, 2019</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Current and other assets	\$ 11,779,431	\$ 1,604,614	\$ 11,421,339	\$ 3,069,416
Capital assets	10,230,932	-	10,953,900	-
Total Assets	<u>22,010,363</u>	<u>1,604,614</u>	<u>22,375,239</u>	<u>3,069,416</u>
Deferred outflows of resources	21,815,844	1,640,321	23,139,586	1,182,853
Total assets and deferred outflows of resources	<u>43,826,207</u>	<u>3,244,935</u>	<u>45,514,825</u>	<u>4,252,269</u>
Other liabilities	5,062,441	313,130	5,376,830	165,998
Long-term liabilities	61,545,677	4,245,135	55,646,844	3,275,836
Total Liabilities	<u>66,608,118</u>	<u>4,558,265</u>	<u>61,023,674</u>	<u>3,441,834</u>
Deferred inflows of resources	5,196,709	344,781	7,492,097	465,575
Total liabilities and deferred inflows of resources	<u>71,804,827</u>	<u>4,903,046</u>	<u>68,515,771</u>	<u>3,907,409</u>
Net position:				
Net investment in capital assets	7,752,637	-	7,852,485	-
Restricted	2,722,696	-	2,600,986	-
Unrestricted	<u>(38,453,953)</u>	<u>(1,658,111)</u>	<u>(33,454,417)</u>	<u>344,860</u>
Total Net Position	<u>\$ (27,978,620)</u>	<u>\$ (1,658,111)</u>	<u>\$ (23,000,946)</u>	<u>\$ 344,860</u>

Capital assets, which consist of the District's land, buildings, and building improvements, construction in progress, vehicles, and equipment, represent about 43 percent of total assets. The remaining assets consist mainly of cash and grants and accounts receivable.

The District's long-term liability for the repayment of full faith and credit obligations due in more than one year, other post-employment pension obligation and PERS net pension obligation represents 92 percent of total liabilities. Current liabilities, representing the remaining 8 percent of the District's total liabilities, consist almost entirely of payables on accounts, salaries and benefits and debt obligations due within one year.

The District's overall financial position including both governmental and business activities changed as indicated by a decrease of \$6.98 million in net position. Unrestricted net position

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

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decreased by \$7.0 million due mainly to the change in the PERS net pension liability. At the same time, the District's investment in capital assets, net of related debt, decreased by \$99 thousand due principally to payment of related debt during the year.

**GOVERNMENTAL ACTIVITIES.** The District's net position decreased about \$6.98 million as a result of governmental activities.

Program revenues increased by \$5.52 million, mainly due to increased services provided to our component districts and an increase in federal grant awards and state contracts.

Instruction, support services and enterprise and community services increased by \$4.40 million due to contractual services provided and the increase in the PERS net pension liability.

**BUSINESS-TYPE ACTIVITIES.** The District's net position decreased by \$2.00 million as a result of business-type activities, largely due to the change in the PERS net pension liability.

The key elements of the change in the District's net position for the year ended June 30, 2020 are as follows:

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

	<b>Statement of Activities</b>			
	<b>June 30, 2020</b>		<b>June 30, 2019</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 29,282,674	\$ 6,776,210	\$ 30,826,570	\$ 7,189,483
Operating grants and operations	36,411,778	-	32,390,440	-
General revenue:				
Property taxes	12,559,594	-	11,944,629	-
Timber revenue	444,751	-	546,449	-
State school fund - general support	36,252,194	-	33,505,792	-
Earnings on investments	426,026	-	638,908	-
Total Revenues	<u>\$ 115,377,017</u>	<u>\$ 6,776,210</u>	<u>\$ 109,852,788</u>	<u>\$ 7,189,483</u>
<b>Expenses:</b>				
Instruction	45,333,537	-	41,873,604	-
Support services	72,659,636	-	71,375,987	-
Enterprise and community services	2,204,578	-	2,518,433	-
Interest on long-term debt	156,940	-	182,877	-
Fiscal services	-	656,974	-	446,306
Staff services	-	383,544	-	380,980
Technology services	-	7,738,663	-	6,541,801
Total Expenses	<u>120,354,691</u>	<u>8,779,181</u>	<u>115,950,901</u>	<u>7,369,087</u>
<b>Change in net position</b>	<b>(4,977,674)</b>	<b>(2,002,971)</b>	<b>(6,098,113)</b>	<b>(179,604)</b>
<b>Net Position, Beginning</b>	<u>(23,000,946)</u>	<u>344,860</u>	<u>(16,902,833)</u>	<u>524,464</u>
<b>Net Position, Ending</b>	<u>\$ (27,978,620)</u>	<u>\$ (1,658,111)</u>	<u>\$ (23,000,946)</u>	<u>\$ 344,860</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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2020, the District's governmental funds reported combined ending fund balances of \$6.72 million, an increase of \$482 thousand in comparison with the prior year. Of this amount, \$2.18 million (about 32.5 percent) of the ending fund balances constitutes restricted ending fund balance, amounts that are legally restricted by outside parties for a specific purpose (such as

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

grants). The remaining 67.5 percent of the ending fund balances, \$4.54 million, is unassigned and available for spending at the District's discretion.

**General Fund.** The General Fund is the chief operating fund of the District. As of June 30, 2020, unassigned fund balance was \$4.54 million. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 9 percent of total General Fund expenditures. The total fund balance increased by \$607 thousand from the prior year, primarily due to decrease in transfer to enterprise fund activities.

**Special Revenue Fund.** The Special Revenue Fund has a total fund balance of \$2.04 million. This is a decrease of \$149 thousand over the prior year, primarily the result of spend down of grant carryover balances.

**Capital Projects.** The Capital Projects Fund has a total fund balance of \$147 thousand, an increase of \$25 thousand from the prior year, due to a general fund transfer for capital project repairs at the Washington Service Center.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

*Original budget compared to final budget.* During the year, there was no amendments to the original adopted expenditure appropriations for 2019-20.

*Final budget compared to actual results.* Actual revenues were less than budget by about \$231 thousand, primarily due to decreased charges for services and decrease in the district's indirect rate. Actual expenditures were about \$2.59 million less than estimated, largely due to receipt of additional grant revenue, reduction in transfers and conservative spending.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The District's investment in capital assets includes land, buildings and improvements, and vehicles and equipment. As of June 30, 2020, the District had over \$722 thousand invested in capital assets net of depreciation and debt. As shown in the following table, total capital assets net of depreciation increased, primarily due to depreciation expense.

**Capital Assets  
(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Land	\$ 467,500	\$ 467,500
Buildings and improvements	8,461,112	8,879,204
Leasehold improvements	196,901	216,940
Vehicles and equipment	1,105,419	1,390,256
	\$ 10,230,932	\$ 10,953,900

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

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Additional information about the District's capital assets can be found in Note 4 on page 41.

**Long-Term Obligations.** At the end of the current fiscal year, the District had total debt outstanding of \$2.56 million, consisting of full faith and credit obligations net of unamortized discount. This is a decrease of about \$635 thousand, as the District continues to pay down its debt.

Additional information on the District's long-term obligations can be found in Note 6 on page 43.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The most significant economic factor for the District is the financial condition of Oregon's State School Fund (SSF). For the year ended June 30, 2020, the State School Fund – General Support provided about 94 percent of the District's General Fund resources. The Oregon Legislature passed a statewide education budget of \$9.0 billion for the 2019-21 biennium. SSF support payments are made to districts based on that budget. However, the budget is contingent upon a forecast of Oregon's continued economic recovery and the projected tax receipts based associated with that forecast. In March of 2020 Oregon declared a state of emergency due to the Covid-19 global pandemic. Many businesses were shut down and forecasted income tax revenue declined sharply. The District immediately put into place cost saving measures including furlough days, lay-offs and spending and hiring freezes to mitigate anticipated reductions to the SSF and other education grants and contracts. In August of 2020, the Oregon legislature voted to largely hold the SSF harmless for the 2019-21 biennium by drawing down emergency funds and reducing other education grants and contracts. This decision mitigated most of the negative financial impact to the District for fiscal year 2020-21. Because many of the state level emergency and reserve funds were drawn down, there remains concern about the 2021-23 biennium and the long-term impact of income loss related to the Covid-19 pandemic.

Employer rates for the Public Employees Retirement System (PERS) will remain the same FY 2020-21 (32.03% for Tier 1 and Tier 2 employees and 26.58% for OPSRP employees) and then decrease in the 2021-2023 biennium. Market performance through the end of 2019 was used to set the 2021-2022 rates and therefore does not include the financial impact of the Covid-19 pandemic. The next rate setting action for the PERS system will be based on market performance through December of 2021 for the 2023-25 biennium. The projected contribution rate for the 2021-23 biennium is 22.29% of salary covered under the plan for Tiers 1 and 2 employees and 19.18% for employees covered under the Oregon Public Services Retirement Plan (OPSRP).

While the primary focus of budget development for the 2020-21 fiscal year was financial sustainability during unprecedented state, federal, and global uncertainty during the pandemic, the District also engaged in the development of a new collaboratively developed five-year Strategic Plan. This visioning process, formally adopted by the Board of Directors on August 12,

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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2020, resulted in the following Mission, Vision, Values, and Collective Commitments to which budget requests and resource allocations were aligned.

The District's Budget Committee and Board of Directors have considered all these factors while preparing the 2020-21 budget.

**REQUESTS FOR INFORMATION**

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



**Northwest Regional**  
Education Service District

## **BASIC FINANCIAL STATEMENTS**



**Northwest Regional**  
Education Service District

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**STATEMENT OF NET POSITION**

**June 30, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 392,374	\$ 1,423,818	\$ 1,816,192
Receivables	10,848,910	180,796	11,029,706
Total OPEB asset (RHIA)	538,147	-	538,147
Capital assets:			
Not being depreciated	467,500	-	467,500
Being depreciated, net of accumulated depreciation	9,763,432	-	9,763,432
<b>TOTAL ASSETS</b>	<b>22,010,363</b>	<b>1,604,614</b>	<b>23,614,977</b>
Deferred Outflows of Resources			
Pension Related Deferred Outflows (PERS)	21,603,884	1,640,321	23,244,205
OPEB Related Deferred Outflows (PHIS)	105,075	-	105,075
OPEB Related Deferred Outflows (RHIA)	25,346	-	25,346
Deferred amount on refunding	81,539	-	81,539
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>21,815,844</b>	<b>1,640,321</b>	<b>23,456,165</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>43,826,207</b>	<b>3,244,935</b>	<b>47,071,142</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	839,799	313,130	1,152,929
Accrued payroll and related liabilities	3,451,143	-	3,451,143
Accrued interest payable	5,157	-	5,157
Accrued compensated absences payable	104,356	-	104,356
Unearned revenue	4,402	-	4,402
Long-term debt obligations:			
Within one year	657,584	-	657,584
In more than one year	1,902,250	-	1,902,250
Total OPEB liability (PHIS)	1,221,132	-	1,221,132
Net pension liability (PERS)	58,422,295	4,245,135	62,667,430
<b>TOTAL LIABILITIES</b>	<b>66,608,118</b>	<b>4,558,265</b>	<b>71,166,383</b>
Deferred Inflows of Resources			
Pension Related Deferred Inflows (PERS)	4,744,940	344,781	5,089,721
OPEB Related Deferred Inflows (PHIS)	337,238	-	337,238
OPEB Related Deferred Inflows (RHIA)	114,531	-	114,531
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,196,709</b>	<b>344,781</b>	<b>5,541,490</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>71,804,827</b>	<b>4,903,046</b>	<b>76,707,873</b>
<b><u>NET POSITION</u></b>			
Net investment in Capital Assets	7,752,637	-	7,752,637
Restricted			
Grants, contracts and projects	2,036,936	-	2,036,936
Capital projects	147,613	-	147,613
OPEB Asset - RHIA	538,147	-	538,147
Unrestricted	(38,453,953)	(1,658,111)	(40,112,064)
<b>TOTAL NET POSITION</b>	<b>\$ (27,978,620)</b>	<b>\$ (1,658,111)</b>	<b>\$ (29,636,731)</b>

See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2020**

<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Change in Net Position</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
Governmental activities:						
Instruction:						
Regular programs	\$ 3,258,133	\$ 1,827,877	\$ 529,023	\$ (901,233)	\$ -	\$ (901,233)
Special programs	42,075,404	21,762,194	34,406,468	14,093,258	-	14,093,258
Support services:						
Students services	16,319,180	-	649,501	(15,669,679)	-	(15,669,679)
Instructional staff services	43,630,297	-	719,968	(42,910,329)	-	(42,910,329)
General administration	1,894,098	-	-	(1,894,098)	-	(1,894,098)
School administration	170,732	-	-	(170,732)	-	(170,732)
Business services	5,656,285	5,692,603	-	36,318	-	36,318
Central activities	4,989,044	-	-	(4,989,044)	-	(4,989,044)
Enterprise and community services	2,204,578	-	106,818	(2,097,760)	-	(2,097,760)
Interest on long-term debt	156,940	-	-	(156,940)	-	(156,940)
<b>Total governmental activities</b>	<b>120,354,691</b>	<b>29,282,674</b>	<b>36,411,778</b>	<b>(54,660,239)</b>	<b>-</b>	<b>(54,660,239)</b>
Business-type activities:						
Fiscal services	656,974	556,118	-	-	(100,856)	(100,856)
Staff services	383,544	360,383	-	-	(23,161)	(23,161)
Technology services	7,738,663	5,859,709	-	-	(1,878,954)	(1,878,954)
<b>Total business-type activities</b>	<b>8,779,181</b>	<b>6,776,210</b>	<b>-</b>	<b>-</b>	<b>(2,002,971)</b>	<b>(2,002,971)</b>
<b>Total governmental and business- type activities</b>	<b>\$ 129,133,872</b>	<b>\$ 36,058,884</b>	<b>\$ 36,411,778</b>	<b>(54,660,239)</b>	<b>(2,002,971)</b>	<b>(56,663,210)</b>
<b>GENERAL REVENUES:</b>						
Property taxes levied for general purposes				12,559,594	-	12,559,594
Timber revenue				444,751	-	444,751
State school fund - general support				36,252,194	-	36,252,194
Earning on investments				426,026	-	426,026
Total general revenues				49,682,565	-	49,682,565
<b>CHANGE IN NET POSITION</b>				<b>(4,977,674)</b>	<b>(2,002,971)</b>	<b>(6,980,645)</b>
<b>NET POSITION - Beginning</b>				<b>(23,000,946)</b>	<b>344,860</b>	<b>(22,656,086)</b>
<b>NET POSITION - Ending</b>				<b>\$ (27,978,620)</b>	<b>\$ (1,658,111)</b>	<b>\$ (29,636,731)</b>

See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**June 30, 2020**

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	General Fund	Special Revenue Fund	Capital Projects Fund	Total
<b><u>ASSETS</u></b>				
Cash and investments	\$ 230,349	\$ 114	\$ 161,911	\$ 392,374
Receivables:				
Taxes	302,879	-	-	302,879
Accounts	794,402	-	-	794,402
Grants	-	9,751,629	-	9,751,629
Due from other funds	6,934,422	-	-	6,934,422
<b>TOTAL ASSETS</b>	<b>\$ 8,262,052</b>	<b>\$ 9,751,743</b>	<b>\$ 161,911</b>	<b>\$ 18,175,706</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 49,518	\$ 775,983	\$ 14,298	\$ 839,799
Due to other funds	-	6,934,422	-	6,934,422
Payroll liabilities	3,451,143	-	-	3,451,143
Unearned revenue	-	4,402	-	4,402
<b>TOTAL LIABILITIES</b>	<b>3,500,661</b>	<b>7,714,807</b>	<b>14,298</b>	<b>11,229,766</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable revenue - property taxes	225,882	-	-	225,882
<b><u>FUND BALANCES</u></b>				
Restricted:				
Special Revenue Fund				
Grants, contracts and projects	-	2,036,936	-	2,036,936
Capital Projects	-	-	147,613	147,613
Unassigned:				
General Fund	4,535,509	-	-	4,535,509
<b>TOTAL FUND BALANCES</b>	<b>4,535,509</b>	<b>2,036,936</b>	<b>147,613</b>	<b>6,720,058</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 8,262,052</b>	<b>\$ 9,751,743</b>	<b>\$ 161,911</b>	<b>\$ 18,175,706</b>

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See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

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

**June 30, 2020**

<b>TOTAL FUND BALANCES</b>		\$	6,720,058
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:			
Cost	\$	19,478,799	
Accumulated depreciation		<u>(9,247,867)</u>	10,230,932
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.			
Unavailable revenue - property taxes			225,882
Short term and long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.			
Short term and long term obligations			
Accrued interest payable	\$	(5,157)	
Compensated absences		(104,356)	
Other post employment pension liability (PHIS)		(1,221,132)	
Other post employment pension asset (RHIA)		538,147	
Bonds payable		(2,643,426)	
Bond discount/premiums, net of amortization		<u>83,592</u>	(3,352,332)
In 2016-17 bond refunding, a larger amount paid to the escrow agent than the premiums of the bonds being refunded that was recorded as interest expenses. This deferred outflow of resources is recognized based on the schedule of maturities of the refunded bonds.			
			81,539
The Net Pension Asset (Liability) is the difference between the total PERS pension liability and the assets set aside to pay benefits earned to past and current employees and beneficiaries.			
			(58,422,295)
Deferred Inflows and Outflows of resources related to the pension plan and OPEB include differences between expected and actual experience, changes of assumptions, differences between projects and actual earnings, and contributions subsequent to the measurement date.			
Deferred Outflows - Pension (PERS)		21,603,884	
Deferred Outflows - OPEB (PHIS)		105,075	
Deferred Outflows - OPEB (RHIA)		25,346	
Deferred Inflows - Pension (PERS)		(4,744,940)	
Deferred Inflows - OPEB (PHIS)		(337,238)	
Deferred Inflows - OPEB (RHIA)		<u>(114,531)</u>	16,537,596
<b>NET POSITION - GOVERNMENTAL ACTIVITIES</b>			<u><u>\$ (27,978,620)</u></u>

See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**For the Year Ended June 30, 2020**

<b>REVENUES</b>	General Fund	Special Revenue Fund	Capital Projects Fund	Total
Local sources:				
Property taxes	\$ 12,558,282	\$ -	\$ -	\$ 12,558,282
Charges for services	2,728,737	27,904,080	-	30,632,817
Earnings on investments	426,026	-	-	426,026
Intermediate sources	5,160	-	-	5,160
State sources	36,689,589	27,691,760	-	64,381,349
Federal sources	-	7,372,071	-	7,372,071
<b>Total revenues</b>	<b>52,407,794</b>	<b>62,967,911</b>	<b>-</b>	<b>115,375,705</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	-	40,806,278	-	40,806,278
Support services	49,012,814	18,264,538	-	67,277,352
Enterprises and community services	-	2,119,105	-	2,119,105
Apportionment of funds	-	3,883,450	-	3,883,450
Facilities acquisition and construction	-	-	25,275	25,275
Debt service:				
Principal	656,218	-	-	656,218
Interest	125,161	-	-	125,161
<b>Total expenditures</b>	<b>49,794,193</b>	<b>65,073,371</b>	<b>25,275</b>	<b>114,892,839</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,613,601</b>	<b>(2,105,460)</b>	<b>(25,275)</b>	<b>482,866</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	236,176	2,267,363	50,000	2,553,539
Transfers out	(2,242,441)	(311,098)	-	(2,553,539)
<b>Total other financing sources (uses)</b>	<b>(2,006,265)</b>	<b>1,956,265</b>	<b>50,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>607,336</b>	<b>(149,195)</b>	<b>24,725</b>	<b>482,866</b>
<b>BEGINNING FUND BALANCE</b>	<b>3,928,173</b>	<b>2,186,131</b>	<b>122,888</b>	<b>6,237,192</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 4,535,509</b>	<b>\$ 2,036,936</b>	<b>\$ 147,613</b>	<b>\$ 6,720,058</b>

See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

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

**For the Year Ended June 30, 2020**

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<b>NET CHANGE IN FUND BALANCES</b>	\$	482,866
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Governmental funds report capital outlays as expenditures while government-wide statements report depreciation expense to allocate those expenditures over the life of the assets. The difference between these two amounts is:

Capitalized expenditures	\$ 41,314	
Depreciation	<u>(764,282)</u>	(722,968)

Repayment of long term & short term obligations is an expenditure in the governmental funds, but the repayment reduces debt obligations in the government-wide statements.

Debt principal repaid		656,218
Premium amortization		(21,181)

In refunding bonds, the amount of new bonds in excess of the refunded bonds is a deferred outflow of resources for the Statement of Activities, whereas it is recorded as an interest expense in the year of refunding.

		(11,917)
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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 expenditure when paid.

		1,319
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds as follows:

Property taxes		1,312
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Some expenses reported in the statements do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in the accumulated unpaid vacation		(36,649)
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In the Statement of Activities, other postemployment benefits expense is adjusted based on the actuarially determined contribution changes:

Net change in total OPEB liability / asset	\$ 470,080	
Net change in deferred outflows of resources	(115,998)	
Net change in deferred inflows of resources	<u>(299,234)</u>	54,848

The Pension Expense represents the changes in Net Pension Asset (Liability) from year to year due to changes in total pension liability and the fair value of pension plan net position available to pay pension benefits.

		<u>(5,381,522)</u>
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<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>(4,977,674)</u></b>
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See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**GENERAL FUND**

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

**For the Year Ended June 30, 2020**

	<u>Budget</u>		<u>Actual</u>	<u>Variance to Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources:				
Property taxes	\$ 12,470,400	\$ 12,470,400	\$ 12,558,282	\$ 87,882
Charges for services	3,078,000	3,078,000	2,728,737	(349,263)
Earnings on investments	450,000	450,000	426,026	(23,974)
Intermediate sources	-	-	5,160	5,160
State sources	36,640,794	36,640,794	36,689,589	48,795
<b>Total revenues</b>	<b>52,639,194</b>	<b>52,639,194</b>	<b>52,407,794</b>	<b>(231,400)</b>
<b>EXPENDITURES</b>				
Current:				
Support services	9,080,560	9,080,560 (1)	7,849,318	1,231,242
Debt service *	781,718	781,718 (1)	781,379	339
Contingency	500,000	500,000 (1)	-	500,000
Transfers to enterprise funds *	2,074,785	2,074,785 (1)	1,212,793	861,992
Transfers to fiduciary funds *	39,950,703	39,950,703 (1)	39,950,703	-
<b>Total expenditures</b>	<b>52,387,766</b>	<b>52,387,766</b>	<b>49,794,193</b>	<b>2,593,573</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>251,428</b>	<b>251,428</b>	<b>2,613,601</b>	<b>2,362,173</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	265,000	265,000	236,176	(28,824)
Transfers out *	(2,553,928)	(2,553,928) (1)	(2,242,441)	311,487
Transits to other agencies *	(12,500)	(12,500) (1)	-	12,500
<b>Total other financing uses</b>	<b>(2,301,428)</b>	<b>(2,301,428)</b>	<b>(2,006,265)</b>	<b>295,163</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,050,000)</b>	<b>(2,050,000)</b>	<b>607,336</b>	<b>2,657,336</b>
<b>BEGINNING FUND BALANCE</b>	<b>4,550,000</b>	<b>4,550,000</b>	<b>3,928,173</b>	<b>(621,827)</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 2,500,000</b>	<b>\$ 2,500,000</b>	<b>\$ 4,535,509</b>	<b>\$ 2,035,509</b>

\* Appropriated as other uses.

(1) Appropriation level

See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**SPECIAL REVENUE FUND**

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

**For the Year Ended June 30, 2020**

	<u>Budget</u>		<u>Actual</u>	<u>Variance to Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources:				
Charges for services	\$ 30,998,787	\$ 30,998,787	\$ 27,054,656	\$ (3,944,131)
State sources	29,623,784	29,623,784	27,691,760	(1,932,024)
Federal sources	8,511,661	8,511,661	7,372,071	(1,139,590)
<b>Total revenues</b>	<b>69,134,232</b>	<b>69,134,232</b>	<b>62,118,487</b>	<b>(7,015,745)</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	45,757,424	45,757,424 (1)	40,806,278	4,951,146
Support services	19,500,626	19,500,626 (1)	17,963,943	1,536,683
Enterprise and community services	3,759,690	3,759,690 (1)	2,119,105	1,640,585
<b>Total expenditures</b>	<b>69,017,740</b>	<b>69,017,740</b>	<b>60,889,326</b>	<b>8,128,414</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>116,492</b>	<b>116,492</b>	<b>1,229,161</b>	<b>1,112,669</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,623,844	3,623,844	3,116,787	(507,057)
Transfers out *	(965,592)	(965,592) (1)	(611,693)	353,899
Transits to other agencies *	(7,032,657)	(7,032,657) (1)	(3,883,450)	3,149,207
<b>Total other financing sources (uses)</b>	<b>(4,374,405)</b>	<b>(4,374,405)</b>	<b>(1,378,356)</b>	<b>2,996,049</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,257,913)</b>	<b>(4,257,913)</b>	<b>(149,195)</b>	<b>4,108,718</b>
<b>BEGINNING FUND BALANCE</b>	<b>4,257,913</b>	<b>4,257,913</b>	<b>2,186,131</b>	<b>(2,071,782)</b>
<b>ENDING FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,036,936</b>	<b>\$ 2,036,936</b>

\* Appropriated as other uses.

(1) Appropriation level

See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**ENTERPRISE FUND**

**STATEMENT OF NET POSITION**

**June 30, 2020**

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**ASSETS**

Current:

Cash and cash equivalents	\$ 1,423,818
Receivables	180,796

<b>TOTAL ASSETS</b>	<b>1,604,614</b>
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Deferred outflows of resources

Net pension related deferred outflows	1,640,321
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**LIABILITIES**

Current:

Accounts payable	313,130
------------------	---------

Non-current:

Net pension liability	4,245,135
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<b>TOTAL LIABILITIES</b>	<b>4,558,265</b>
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Deferred inflows of resources

Net pension related deferred inflows	344,781
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**NET POSITION**

Unrestricted	<u><u>\$ (1,658,111)</u></u>
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See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**ENTERPRISE FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**For the Year Ended June 30, 2020**

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<b>REVENUE:</b>	
Charges for services	\$ 5,462,822
Charges from interfund services	<u>1,313,388</u>
<b>TOTAL REVENUES</b>	<u>6,776,210</u>
<b>EXPENSES :</b>	
Salaries	2,409,338
Employee benefits	1,359,168
Pension expense (see pension footnote)	391,037
Purchases	791,079
Supplies	3,526,553
Capital outlay	21,936
Miscellaneous	53,526
Apportionment of funds	<u>226,544</u>
<b>TOTAL EXPENSES</b>	<u>8,779,181</u>
<b>OPERATING INCOME</b>	(2,002,971)
<b>NET POSITION - Beginning</b>	<u>344,860</u>
<b>NET POSITION - Ending</b>	<u><u>\$ (1,658,111)</u></u>

See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**ENTERPRISE FUND**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2020**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for services	\$ 5,426,944
Cash received from interfund services provided	1,313,388
Cash paid to suppliers for goods and services	(4,245,962)
Cash paid to employees for services	(3,768,506)
Cash paid to other agencies	(226,544)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(1,500,680)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,500,680)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>2,924,498</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 1,423,818</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ (2,002,971)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(35,878)
Accounts payable	147,132
Net pension related items	391,037
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u><u>\$ (1,500,680)</u></u>

See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**AGENCY FUND**

**STATEMENT OF ASSETS AND LIABILITIES**

**June 30, 2020**

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<b>ASSETS:</b>	
Cash and cash equivalents	\$ 12,363,088
	<u>\$ 12,363,088</u>
<b>LIABILITIES:</b>	
Accounts payable	\$ 65,958
Due to school districts	<u>12,297,130</u>
	<u>\$ 12,363,088</u>

See notes to basic financial statements

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**1. Summary of Significant Accounting Policies**

**Reporting Entity**

In 1996, Clatsop, Columbia, Tillamook and Washington ESDs officially consolidated to become the Northwest Regional Education Service District (the District). The District was formed in accordance with ORS 334.020 and Section 25, Chapter 784 Oregon Laws 1993. It provides educational services to school districts in Clatsop, Columbia, Tillamook, and Washington Counties. The District is a municipal corporation governed by a nine-member Board of Directors consisting of five elected and four appointed members. Administrative officials are approved by the Board. The daily functioning of the District is under the supervision of the Superintendent-Clerk. As required by accounting principles generally accepted in the United States of America, all activities of the District have been included in these basic financial statements.

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

**Basis of Presentation**

**Government-wide Financial Statements**

The *Statement of Net Position* 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, except that interfund services provided and used are not eliminated in the process of consolidation. Governmental activities are financed through property taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

# **NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

### **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, business-type and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

Proprietary Fund – The proprietary fund accounts for services provided (mainly technology services) to other governmental agencies. The principal revenue sources are charges for services and supplies.

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

### **Measurement Focus and Basis of Accounting**

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

# **NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

reimbursement grants and general revenues. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

All revenues reported in the governmental funds are considered to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

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

### **Use of Estimates**

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

### **Cash and Cash Equivalents**

The cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less. Short-term investments are stated at cost, which approximates fair value. Investments in the State of Oregon Treasurer's Local Government Investment Pool (LGIP) are stated at cost, which approximates fair value. Fair value in the LGIP is the same as the value of its pool shares.

### **Fair Value Inputs and Methodologies and Hierarchy**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of

# **NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

**Level 1** – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

**Level 2** – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

**Level 3** – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

### **Property Taxes**

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

### **Receivables**

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

### **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.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**Capital Assets**

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

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the basic financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that arise only under a full accrual basis of accounting that qualify for reporting in this category. The statement of net position reports one type of related to the net PERS pension liability, deferred charge on refunding bonds and the District's Other Post-Employment Benefits (OPEBs). These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the basic financial statements will report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that arise for reporting in this category. The balance sheet reports unavailable revenues from one source: property taxes. The statement of net position reports two type related to the net PERS pension liability and the District's OPEB plans. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for all claims in excess of self-insured retention limits. Limits are \$25,000 for property per occurrence and \$50,000 for general liability. There have been no significant reductions in insurance coverage from the prior year. Losses have not exceeded insurance coverage for the past three fiscal years.

# **NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

### **Retirement Plans**

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service with the District. All unused vacation pay and related payroll taxes is accrued when earned in the government-wide financial statements. Accrued vacation balances must be used by the end of the calendar year for those employees who have a carryover balance at the end of the fiscal year. 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 Position*. Bond discounts are deferred and amortized over the life of the certificates of participation using the straight-line method, which approximates the effective interest method. Savings realized from advance refunding of debt are recorded as deferred outflows of resources and amortized over the remaining life of the related defeased debt.

In the fund financial statements, discounts as well as issuance costs are recognized when incurred and not deferred. The face amount of the debt issued and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Net Position**

Net position is comprised of the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

- Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – consists of external constraints placed on asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law

## **NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

through constitutional provisions or enabling legislation. The District has net positions restricted for debt service.

- Unrestricted net position – consists of all other assets that are not included in the other categories previously mentioned.

### **Fund Balances**

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No.54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this Standard, the prior fund balance classifications of reserved, designated and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The Board may commit fund balance by resolution. The Board may also modify or rescind commitments by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Both the Superintendent and the Chief Financial Officer have been given this authority by the Board.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There were no nonspendable, committed or assigned fund balances at June 30, 2020.

The Board of Directors has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum ending fund balance policy to be an unrestricted ending fund balance of at least 8 percent of total general fund adopted revenues, less the amount allocated for transfer to component school districts.

**Budget**

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

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

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

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

Appropriation transfers were made during the year. Expenditures of the various funds were within authorized appropriations. Appropriations lapse at the end of each fiscal year.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**2. Deposits and Investments**

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents."

Cash and investments are comprised of the following at June 30, 2020:

Cash and Investments consisted of:	
Petty Cash	\$ 314
Demand Deposits	228,400
State of Oregon Treasurer's Local Government Investment Pool	13,950,566
	<hr/>
	\$ 14,179,280
	<hr/> <hr/>

Cash and cash equivalents are shown on the basic financial statements as:

Cash and cash equivalents are reported as follows:	
Governmental funds	\$ 392,374
Proprietary funds	1,423,818
Fiduciary funds	12,363,088
	<hr/>
	\$ 14,179,280
	<hr/> <hr/>

**Deposits with Financial Institutions**

Deposits with financial institutions consist of bank demand deposits and time deposits. The District's deposits with financial institutions are fully insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

To provide additional security required and authorized by Oregon Revised Statutes, Chapter 295, deposits above insurance limits are covered by collateral held in a multiple financial institution collateral pool administered by the State of Oregon Treasury Collateral Pool. The District has no exposure to custodial credit risk for deposits with financial institutions.

Public funds are collateralized in the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes and District policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

# **NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

### **Investments**

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and 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 appears to be in compliance with all portfolio guidelines at June 30, 2020.

The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2020, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

### **Interest Rate Risk**

The District has a formal investment policy that limits investment maturities to 18 months or less as a means of managing its exposure to fair value losses arising from increasing interest rates.

### **Custodial Credit Risk**

Custodial risk is the risk that, in the event of failure of counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. At June 30, 2020, the District does not have investments exposed to custodial credit risk.

### **Concentration of Credit Risk**

At June 30, 2020, 100% was invested in the Local Government Investment Pool. State statutes do not limit the percentage of investments in this instrument.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**3. Receivables**

Accounts and other receivables consist primarily of claims for reimbursements of costs under various federal and state grant programs and services provided to local component school districts. All the receivables are considered current and deemed collectable by management.

Receivable are comprised as follows:

Property taxes	\$	302,879
Grants		9,751,629
Trade and other		975,198
	\$	<u>11,029,706</u>

Receivables are reported as follows:

Governmental funds	\$	10,848,910
Proprietary funds		180,796
Fiduciary funds		-
	\$	<u>11,029,706</u>

**4. Capital Assets**

Capital assets activity for the year was as follows:

	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 467,500	\$ -	\$ -	\$ 467,500
Capital assets being depreciated:				
Buildings and Improvements	14,854,775	21,936	-	14,876,711
Leasehold improvements	355,251	-	-	355,251
Vehicles and equipment	3,759,959	19,378	-	3,779,337
Total capital assets being depreciated	<u>18,969,985</u>	<u>41,314</u>	<u>-</u>	<u>19,011,299</u>
Less accumulated depreciation for:				
Buildings and Improvements	(5,975,571)	(440,028)	-	(6,415,599)
Leasehold improvements	(138,311)	(20,039)	-	(158,350)
Vehicles and equipment	(2,369,703)	(304,215)	-	(2,673,918)
Total accumulated depreciation	<u>(8,483,585)</u>	<u>(764,282)</u>	<u>-</u>	<u>(9,247,867)</u>
Total capital assets being depreciated, net	<u>10,486,400</u>	<u>(722,968)</u>	<u>-</u>	<u>9,763,432</u>
Total capital assets, net	<u>\$ 10,953,900</u>	<u>\$ (722,968)</u>	<u>\$ -</u>	<u>\$ 10,230,932</u>

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

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

Instruction:	
Regular programs	\$ 23,539
Special programs	423,718
Support services:	
Student Services	143,838
Instructional staff services	31,336
General administration	17,578
Business services	29,043
Central activities	85,065
Enterprise and community services:	
Community services	10,165
	<u>\$ 764,282</u>

**5. Compensated Absences**

The District does not liquidate liability for compensated absences until leave is actually taken by the employee in the governmental funds. Accrued vacation leave is considered a compensated absence. The fund used to liquidate the liability is the fund where the employee's salary was charged. The liability is considered a current liability as vacation is given at the beginning of the fiscal year and must either be taken within the fiscal year or up to 80 hours can be used by the end of the calendar year. The liability balance reflects the maximum carryover up to the 80 hours limitation. Of the balance, 38 percent reflects vacation salary charged to the General Fund, 12 percent to Special Revenue Funds and 50 percent to the Enterprise Funds.

Activity for compensated absences for the year ended June 30, 2020, all of which are considered due within one year, as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Compensated Absences	\$ 67,707	\$ 104,356	\$ (67,707)	\$ 104,356

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

**6. Long-Term Obligations**

**Bonds payable**

Full Faith and Credit Obligation Bonds

On June 27, 2005 the District issued \$4,175,000 full faith and credit refunding obligation bonds, Series 2005B to refund the Series 1999 and obtain a savings in total debt service requirement. Interest rates on the bonds range from 3.5% to 4.15% and the final maturity date is June 15, 2024.

On October 13, 2016, the District issued \$2,354,000 full faith and credit obligation bonds, Series 2016 to refund the Series 2005 and partially fund the Washington Service Center roofing project and obtain a savings of \$122,642 in total debt service requirement. Interest rates on the bonds range from 2.1% to 2.43% and the final maturity date is June 15, 2025. In the Event of Default occurring for the Determination of Taxability, interest on this financing agreement shall accrue at the rate of 3.66%, effective as of the effective date of the applicable Determination of Taxability. Upon the occurrence and continuance of an Event of Default other than Determination of Taxability, the Lender may, in addition to pursuing other remedies, at its election increase the Interest Rate by 3.00 percentage points. All rights, powers and remedies of the Lender may be exercised at any time after the occurrence of an Event of Default, are cumulative and shall not be exclusive, and shall be in addition to any other rights powers or remedies provided by law or equity. The Lender may waive any Event of Default, but no such waiver shall extend to a subsequent Event of Default.

**Debt Activity**

Debt activity for the year ended June 30, 2020 is as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
Full Faith & Credit					
obligation bonds	\$ 3,299,644	\$ -	\$ 656,218	\$ 2,643,426	\$ 678,765
Unamortized discount	<u>(104,773)</u>	<u>-</u>	<u>(21,181)</u>	<u>(83,592)</u>	<u>(21,181)</u>
Total bonds payable, net	<u>\$ 3,194,871</u>	<u>\$ -</u>	<u>\$ 635,037</u>	<u>\$ 2,559,834</u>	

Payments on the full faith and credit obligation bonds are made by the General Fund.

The following is a summary of long-term debt transactions of governmental activities for the year ended June 30, 2020:

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

Issue Date	Original Issue	Principal			Outstanding at June 30, 2020	Interest Rates
		Outstanding at June 30, 2019	Additions	Reductions		
<b><u>Full Faith and Credit Obligation Bonds:</u></b>						
June 27, 2005	4,175,000	\$ 1,855,000	\$ -	\$ 340,000	\$ 1,515,000	3.50 - 4.15%
October 13, 2016	2,354,000	1,444,644	-	316,218	1,128,426	2.10 - 2.43%
<b><u>Total Full Faith and Credit Obligation Bonds</u></b>		<b><u>3,299,644</u></b>	<b><u>-</u></b>	<b><u>656,218</u></b>	<b><u>2,643,426</u></b>	
<b><u>Unamortized Discount</u></b>		<b><u>(104,773)</u></b>	<b><u>-</u></b>	<b><u>(21,181)</u></b>	<b><u>(83,592)</u></b>	
<b>Total</b>		<b><u>\$ 3,194,871</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 635,037</u></b>	<b><u>\$ 2,559,834</u></b>	

The pension and other postemployment liabilities for governmental activities are incurred and paid by each of the governmental type funds. Also, for the governmental activities full faith and credit obligation bonds are liquidated by the general fund.

**Debt Maturities**

Future bond maturities are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 678,765	\$ 100,614	\$ 779,379
2022	564,105	75,947	640,052
2023	583,737	52,814	636,551
2024	608,481	28,821	637,302
2025	208,338	3,715	212,053
	<b><u>\$ 2,643,426</u></b>	<b><u>\$ 261,911</u></b>	<b><u>\$ 2,905,337</u></b>

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**7. Interfund Balances and Transfers**

The following is a reconciliation of interfund balances and transfers:

	<b><u>Transfers In</u></b>	<b><u>Transfers Out</u></b>	<b><u>Due to Other Funds</u></b>	<b><u>Due from Other Funds</u></b>
<b>General Fund</b>	\$ 236,176	\$ 2,242,441	\$ -	\$ 6,934,422
<b>Special Revenue Fund</b>	2,267,363	311,098	6,934,422	-
<b>Capital Projects Fund</b>	50,000	-	-	-
	<b><u>\$ 2,553,539</u></b>	<b><u>\$ 2,553,539</u></b>	<b><u>\$ 6,934,422</u></b>	<b><u>\$ 6,934,422</u></b>

**General Fund**

Transfers In - Support to programs.

Transfers Out - Support to programs, distribution of county allocations.

**Special Revenue Fund**

Transfers In - Support to programs, distribution of county allocations.

Transfers Out - Support to programs.

**Capital Projects Fund**

Transfers In - General and special revenue funds support for capital projects.

Transfer Out - No activity during the fiscal year.

There is a \$6,934,422 interfund balance in the General Fund to fund reimbursable expenditures in the Special Revenue Fund.

Interfund transfers between funds of the primary government are presented in the Statements of Revenues, Expenditure and Changes in Fund Balance – comparison schedules for General Fund, Special Revenue Fund, Enterprise Fund and Fiduciary Governmental Funds. The budgetary comparison schedules for General Fund, Special Revenue Fund, Enterprise Fund and Fiduciary Fund include transfers between fiduciary activities and the primary government, which have been treated as revenues and expenditures in the combining fund financial statements, in accordance with accounting principles generally accepted in the United States of America. The net effect of this treatment on all fund balances is zero.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**8. Operating Lease Agreements**

Building space is leased at various locations. Approximate future minimum rental commitments under these agreements are as follows:

Year Ending		
June 30,	Amount	
2021	\$	1,294,535
2022		1,269,297
2023		669,652
2024		670,576
2025		686,967
2026-2029		1,941,904
	<u>\$</u>	<u>6,532,931</u>

The total rental expense under these or similar leases were approximately \$1,390,449 for the year ended June 30, 2020.

**9. Pension Plan**

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at:

<http://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>

If the link is expired please contact Oregon PERS for this information.

- a. PERS Pension (Chapter 238). The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
  - i. Pension Benefits. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members).

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### **NOTES TO BASIC FINANCIAL STATEMENTS**

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General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier 1 general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier 2 members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

- ii. **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following contributions are met:
    - member was employed by PERS employer at the time of death,
    - member died within 120 days after termination of PERS covered employment,
    - member died as a result of injury sustained while employed in a PERS-covered job, or
    - member was on an official leave of absence from a PERS-covered job at the time of death.
  - iii. **Disability Benefits.** A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
  - iv. **Benefit Changes After Retirement.** Members may choose to continue participation in their variable account after retiring and may experience annual benefit fluctuations due to changes in the fair value of the underlying global equity investments of that account. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The cap on the COLA is capped at 2.0 percent.
- b) **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i. **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:  
*Police and fire:* 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

## **NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

*General service:* 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

- ii. **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70 ½ years.
- iii. **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation, which became effective July 1, 2019. The state of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2020 were approximately \$8,934,533, excluding amounts to fund employer specific liabilities. The District recognized \$5,381,522 in governmental funds and \$391,037 in enterprise funds as employer pension expense during the reporting period.

#### Pension Asset or Liability

At June 30, 2020, the District reported a net pension liability of \$62,667,430 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to a measurement date of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date of June 30, 2019 and 2018, the District's proportion was .3623 percent and .3625 percent respectively.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

The PERS rates in effect for the year ended June 30, 2020 were (1) Tier 1/Tier 2 – 32.03% and (2) OPSRP general services – 26.58%.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources	Net
Difference between expected and actual experience	\$ 3,455,924	\$ -	
Changes in assumptions	8,501,552	-	
Net difference between projected and actual earnings on pension plan investments	-	1,776,558	
Changes in proportionate share	-	3,286,766	
Differences between employer contributions and employer's proportionate share of system contributions	<u>2,352,196</u>	<u>26,397</u>	
Subtotal - Amortized Deferrals (below)	<u>14,309,672</u>	<u>5,089,721</u>	<u>\$ 9,219,951</u>
District contributions subsequent to measurement date	<u>8,934,533</u>		
Net deferred outflow (inflow) of resources	<u>\$ 23,244,205</u>	<u>\$ 5,089,721</u>	<u>\$ 18,154,484</u>

Deferred outflows of resources related to pensions of \$8,934,533 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

Year ending June 30,	Amount
2021	\$ 4,899,764
2022	293,467
2023	2,142,773
2024	1,736,616
2025	147,331
Thereafter	<u>-</u>
Total	<u>\$ 9,219,951</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated March 4, 2020 which can be found at:

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>.

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Oregon PERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>

Actuarial Valuations – The employer contribution rates effective July 1, 2019 through June 30, 2021, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation date	December 31, 2017 rolled forward to June 30, 2019
Experience Study Report	2016, Published July 26, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Discount rate	7.2 percent
Inflation rate	2.5 percent
Investment rate of return	7.2 percent, previously 7.2 percent.
Projected salary increase	3.5 percent overall payroll growth
Cost of Living Adjustment	Blend of 2.0 percent COLA and graded COLA (1.25/0.15 percent) in accordance with <i>Moro</i> decision, blend based on service.
Mortality	<p>Healthy retirees and beneficiaries:                      RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members:                      RP-2014 Employees, sex-distinct generational Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees:                      RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

Discount Rate – The discount rate used to measure the total pension liability as of the measurement date June 30, 2019 and 2018 was 7.20 and 7.20 percent respectively, for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 100,356,328	\$ 62,667,430	\$ 31,127,014

**Assumed Asset Allocation:**

<b>Asset Class/Strategy</b>	<b>Low Range</b>	<b>High Range</b>	<b>OIC Target</b>
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Real Estate	9.5%	15.5%	12.5%
Private Equity	14.0%	21.5%	17.5%
Alternative Equity	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			100%

*Source: June 30, 2019 PERS CAFR; p. 100*

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Long-Term Expected Rate of Return:**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<b>Asset Class</b>	<b>Target</b>	<b>Compound Annual Return (Geometric)</b>
Core Fixed Income	8.00%	3.49%
Short-term Bonds	8.00%	3.38%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.31%	6.69%
Micro Cap US Equities	1.31%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Market Equities	4.13%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equity	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds - Diversified	2.50%	4.09%
Hedge Fund - Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
<i>Assumed Inflation - Mean</i>		2.50%

*Source: June 30, 2019 PERS CAFR; p. 74*

**Changes Subsequent to the Measurement Date**

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe

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### **NOTES TO BASIC FINANCIAL STATEMENTS**

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any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

There are no changes subsequent to the June 30, 2019 Measurement Date.

#### **OPSRP Individual Account Program (OPSRP IAP)**

Plan Description. Employees of the District are provided with pensions through OPERS. All the benefits of OPERS are established by the Oregon legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. Chapter 238A created the Oregon Public Service Retirement Plan (OPSRP), which consists of the Defined Benefit Pension Program and the Individual Account Program (IAP). Membership includes public employees hired on or after August 29, 2003. PERS members retain their existing defined benefit plan accounts, but member contributions are deposited into the member's IAP account. OPSRP is part of OPERS, and is administered by the OPERS Board.

Pension Benefits. Participants in OPERS defined benefit pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions. Employees of the District pay six (6) percent of their covered payroll. The District did not make any optional contributions to member IAP accounts for the year ended June 30, 2020.

Additional disclosures related to Oregon PERS not applicable to specific employers are available online, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700.

<http://www.oregon.gov/pers/EMP/Pages/GASB.aspx>

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**10. Other Post-Employment Benefits (OPEB)s**

The District offers a postemployment health insurance subsidy and tax shelter annuity, and contributes to a retirement health insurance account through Oregon Public Employees Retirement System. The breakdown of the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense are:

	Postemployment Health Insurance Subsidy (PHIS)	Retirement Health Insurance Account (RHIA)	Net
Total OPEB Liability	\$ 1,221,132	\$ -	\$ 1,221,132
Total OPEB Asset	-	538,147	538,147
OPEB Deferred Outflows of Resources	105,075	25,346	130,421
OPEB Deferred Inflows of Resources	337,238	114,531	451,769
OPEB Expense/(Income)	44,589	(99,437)	(54,848)

**Postemployment Health Insurance Subsidy (PHIS)**

**Plan description** – The District operates a single-employer defined benefit plan that provides postemployment health, dental, vision and life insurance benefits to eligible employees and their spouses. Benefits and eligibility for members are established through the collective bargaining agreements and Oregon State law. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. The District’s post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees.

**Benefits Provided** – Eligible retirees and their dependents under age 65 are allowed to continue to enroll in the same health care coverage as offered to active employees. The retiree’s coverage selection is available only upon retirement although coverage can continue until the retiree’s age 65. The spouse’s coverage is available until the spouse’s age 65 but also must be selected at the time of retirement. Following the retiree’s death or attainment of age 65, the retiree’s spouse can continue full coverage until the spouse’s age 65. The retiree or surviving spouse is responsible for paying the full premium at the applicable tier. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the District’s implicit employer subsidy. Eligibility is determined by:

- Employees of the District are covered under medical benefits at the time of retirement.
- Employees must retire with an active service while eligible for a pension benefit payable immediately under the Oregon Public Employees Retirement System (OPERS).

**Employees covered by benefit terms** – As of June 30, 2020, there are 584 active and 12 retired members in the plan.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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**Total OPEB Liability**

The District's total OPEB liability of \$1,221,132 was determined by an actuarial valuation as of July 1, 2019, adjusted to a measurement date of June 30, 2020.

**Actuarial assumptions and other inputs**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Valuation date	July 1, 2019 rolled forward to June 30, 2020
Measurement date	June 30, 2019
Inflation	2.50%
Projected salary growth	3.50%
Discount rate	3.50%
Withdrawal, retirement, and mortality rates	December 31, 2018 Oregon PERS valuation
Election and lapse rates	30% of eligible employees 60% of male members and 35% of female members will elect spouse coverage 5% annual lapse rate
Actuarial cost method	Entry Age Normal Level Percent of Pay
Demographic Assumptions:	
Mortality	Pub-2010 Teacher Employee and Healthy Retiree tables, sex distinct for members and dependents. Future mortality improvement is not projected, as it would be immaterial to the valuation.
Disability	Percentage of the 1985 Class 1 Rates: 35% with a 0.18% cap; Ordinary Disability only; no duty disability assumed
Retirement	Based on Oregon PERS assumptions. Annual rates are based on age, Tier / ORSRP, and duration of service

**Discount Rate** – Under GASB 75, unfunded plans must use a discount rate that reflects a 20-year tax-exempt municipal bond yield or index rate. The discount rate in effect for the June 30, 2019 reporting date is 3.50%, reflecting the Bond Buyer 20-Year General Obligation Bond Index.

**Health Care Cost Trend** – The actuarial calculations used an assumption that medical costs will increase 3.00% in the first year, 5.25% in the second 5.50% in the third year, and varying from 5.75% to 4.25% over the remainder of the projection period. These trends are based on a model circulated by the Society of Actuaries that considers current trends in health care costs, the potential impacts of certain well-defined aspects of the Affordable Care Act, and long-term constraints on

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trend such as growth in per capita income. It also assumes that dental costs will increase by 4.0% in each year. Medical and dental trends were based on actual changes to July 1, 2019 premiums compared with July 1, 2018 premiums.

**Changes in the Total OPEB Liability**

		<u>Increase(Decrease) Total OPEB Liability</u>
Balance as of June 30, 2019	\$	1,445,032
Changes for the year:		
Service cost		146,850
Interest on total OPEB liability		59,545
Effect of changes to benefit terms		-
Effect of economic/demographic gains or losses		(158,360)
Effect of assumptions changes or inputs		(164,399)
Benefit payments		<u>(107,536)</u>
Balance as of June 30, 2020	\$	<u>1,221,132</u>

The effects of assumptions changes or inputs reflect a change in the discount rate from 3.87% in 2019 to 3.5% in 2020.

**Sensitivity**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the District for the Postemployment Health Insurance Subsidy, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	<u>1% Decrease 2.50%</u>	<u>Current Discount Rate</u>	<u>1% Increase 4.50%</u>
Total OPEB liability	\$ 1,301,667	\$ 1,221,132	\$ 1,145,737

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the District for the Postemployment Health Insurance Subsidy, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current discount rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,106,686	\$ 1,221,132	\$ 1,355,762

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**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the District recognized an OPEB expense of \$44,589 related to the PHIS OPEB. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Net</u>
Difference between expected and actual experience	\$ (137,523)	\$ -	
Changes of assumptions or inputs	(199,715)	-	
Subtotal - Amortized Deferrals	<u>(337,238)</u>	<u>-</u>	<u>\$ (337,238)</u>
Benefit Payments	<u>-</u>	<u>105,075</u>	<u>105,075</u>
Total as of June 30, 2020	<u>\$ (337,238)</u>	<u>\$ 105,075</u>	<u>\$ (232,163)</u>

Subtotal amounts reported as deferred outflows of resources and deferred inflows of resources related to the PHIS OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ (56,731)
2022	(56,731)
2023	(56,731)
2024	(53,704)
2025	(45,390)
Thereafter	<u>(67,951)</u>
Total	<u>\$ (337,238)</u>

**Retirement Health Insurance Account (RHIA)**

**Plan description** - As a member of Oregon Public Employees Retirement System (OPERS), the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA resides with the Oregon Legislature. The plan is closed to new entrants hired on or after August 29, 2003. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

**Benefits** - RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**Contributions** - Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.06% of annual covered OPERF payroll and 0.00% of OPSRP payroll under a contractual requirement in effect until June 30, 2021. Consistent with GASB Statement 75, the OPERS Board of Trustees sets the employer contribution rates as a measure of the proportionate relationship of the employer to all employers consistent with the manner in which contributions to the OPEB plan are determined. The basis for the employer's portion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the plan with the total actual contributions made in the fiscal year of all employers. The District's contributions to RHIA for the years ended June 30, 2020, 2019, and 2018, were approximately \$24,994, \$138,026, and \$126,646 respectively, which equaled the required contributions each year.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2020, the District reported an asset of \$538,147 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date. The District's proportion of the net OPEB asset was based on the District's actual, legally required contributions made during the fiscal year being measured compared to the total actual contributions made in the fiscal year of all employers. The District's proportionate share as of the measurement date is 0.27849195% changed from 0.26155545% for the prior measurement date.

For the year ended June 30, 2020, the District recognized OPEB expense reduction of (\$99,437) related to the RHIA OPEB. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the RHIA OPEB from the following sources:

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

	Deferred Outflow of Resources	Deferred Inflow of Resources	Net
Difference between expected and actual experience	\$ -	\$ (70,965)	
Changes of assumptions	-	(558)	
Net difference between projected and actual earnings on investment	-	(33,217)	
Changes in proportionate share	352	(9,791)	
Differences between employer contribution and employer's proportionate share of system contributions	-	-	
Subtotal - Amortized Deferrals	<u>352</u>	<u>(114,531)</u>	<u>\$ (114,179)</u>
District contributions subsequent to measurement date	<u>24,994</u>	<u>-</u>	<u>24,994</u>
Total deferred outflow (inflow) of resources	<u>\$ 25,346</u>	<u>\$ (114,531)</u>	<u>\$ (89,185)</u>

Deferred outflows of resources related to pensions of \$24,994 resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2021. Subtotal amounts reported as deferred outflows of resources and deferred inflows of resources related to the RHIA OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	Amount
2021	\$ (58,300)
2022	(52,712)
2023	(6,588)
2024	3,421
2025	-
Thereafter	-
Total	<u>\$ (114,179)</u>

**Actuarial assumptions and other inputs**

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Valuation date	December 31, 2017
Measurement date	June 30, 2019
Experience Study	2016, published July 26, 2017
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.50%
Long-term expected rate of return	7.20%
Discount rate	7.20%
Projected salary increases	3.50%

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

Retiree healthcare participation	Healthy retirees: 35% Disabled retirees: 20%
Healthcare cost trend rate	Not applicable
Mortality	<p><b>Healthy retirees and beneficiaries:</b> RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2016 Experience Study which is reviewed for the four-year period ending December 31, 2016.

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS Retirement Health Insurance Account Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan Schedules of Employer Allocations and OPEB Amounts by Employer report, as of and for the Year Ended June 30, 2019. This independently audited report was dated March 3, 2020 and can be found at:

<https://www.oregon.gov/pers/EMP/Documents/GASB/2019/PERS-GASB-75-RHIA-Report-FY-6.30.19.pdf>

**Discount Rate**

The discount rate used to measure the total OPEB liability at June 30, 2019 and 2018 was 7.20 for both years. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Long-Term Expected Rate of Return**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2017 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the long-term expected rate of return for each major asset class, calculated using both the arithmetic and geometric means, see the breakdown in Footnote 9.

*(Source: June 30, 2019 Oregon PERS CAFR; page 74)*

**Sensitivity Analysis**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the District for the Retirement Health Insurance Account, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.20%) or 1-percentage-point higher (8.20%) than the current discount rate:

	1% Decrease 6.20%	Current Discount Rate	1% Increase 8.20%
Total OPEB liability	\$ (417,203)	\$ (538,147)	\$ (641,200)

**Changes Subsequent to Measurement Date**

There are no changes subsequent to the June 30, 2019 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

**11. Commitments and Contingencies**

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

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

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

As public employees retire, the PERS system reviews their complete employment history to verify that all of their previous public employers have contributed the correct amount to their pensions. When PERS becomes aware of unpaid pension amounts by an employer from previous years, the amount owed becomes due immediately and the total liability (plus interest) is added

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

to the next invoice. The District is not currently aware of any material unpaid pension contributions from previous years.

**12. Tax Abatements**

As of June 30, 2020, Northwest Regional Education Service District had tax abatements through five programs entered into by other governments that impacted their levied taxes and require disclosure under GASB 77.

**Vertical Housing (ORS 307.864):**

The partial property tax exemption for vertical housing development projects exempts the property from a portion of ad valorem property taxes imposed by local districts, other than districts electing not to participate in the vertical housing development zone.

The exemption percentage is equal to 20% of the taxes for one equalized floor allocated to residential housing, 40% for two equalized floors, 60% for three equalized floors, and 80% for four or more equalized floors. The exemption begins in the first tax year the project is occupied or ready for occupancy following certification under the program and for the next nine consecutive tax years.

**Enterprise Zone (ORS 285C.175):**

The Oregon Enterprise Zone program is a State of Oregon economic development program established, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor.

The Enterprise Zone program allows industrial firms that will be making a substantial new capital investment a waiver of 100% of the amount of real property taxes attributable to the new investment for a 5-year period after completion. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

**Construction in Process in Enterprise Zone (ORS 285C.170):**

The Oregon Enterprise Zone program is a State of Oregon economic development program established, that allows for property tax exemptions. A Construction-in-Process exemption is available for qualifying properties currently under construction in an Enterprise Zone.

To qualify, the property must be owned or leased by an authorized business that is contractually obligated to own or lease the property until placed in service, it may not be previously subject to exemption as a commercial facility (ORS 307.330), and may not be operated, in all or part, as a hotel, motel, or destination resort.

Property may be exempt for no more than two tax years, which must be consecutive, and is not dependent on the property already receiving or being qualified to receive the Enterprise Zone exemption.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**Strategic Key Investment Zone (ORS 307.123):**

Real or personal property that the Oregon Business Development Commission, acting pursuant to ORS 285C.606, has determined is an eligible project under ORS 285C.600 to 285C.635 shall be subject to assessment and taxation up to that portion of the real market value of the eligible project that equals the minimum cost of the project under ORS 285C.606 (1)(c), increased annually for growth at the rate of three percent, shall be taxable at the taxable portion's assessed value under ORS 308.146. The taxable portion of real market value, as adjusted, shall be allocated as follows until the entire amount is assigned: first to land, second to buildings, third to real property machinery and equipment and last to personal property. The remainder of the real market value shall be exempt from taxation for a period of 15 years from the beginning of the tax year after the date the property is certified for occupancy.

**Strategic Investment (ORS 285C.600):**

The purpose of the Strategic Investment program is to improve employment in areas where eligible projects are to be located and urges business firms that will benefit from an eligible project to hire employees from the region in which the eligible project is to be located whenever practicable.

In order to be eligible for the SIP exemption:

- 1) The project must be an eligible project
- 2) Benefit a traded sector industry as defined in ORS 285B.280, and
- 3) The total cost of the project equals or exceeds:
  - a. \$100 million; or
  - b. \$25 million, for rural areas

For the fiscal year ended June 30, 2020, the District abated property taxes as follows under these programs:

Columbia County Enterprise Zone	\$ 14,321
Columbia County Strategic Investment Program	36,851
Clatsop County Strategic Investment Program	38,412
Tillamook County String of Pearls Enterprise Zone	606
Washington County Construction in Process Enterprise Zone	5,000
Washington County Enterprise Zone	97,000
Washington County Housing for Low Income Rental	420
Washington County Nonprofit Corporation Low Income Housing	25,000
Washington County Strategic Investment Program	1,466,000
Washington County Vertical Housing	13,000
	<u>\$ 1,696,610</u>



**Northwest Regional**  
Education Service District

## **REQUIRED SUPPLEMENTARY INFORMATION**



**Northwest Regional**  
Education Service District

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**REQUIRED SUPPLEMENTARY INFORMATION**

**At June 30, 2020**

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**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**OREGON PUBLIC EMPLOYEE RETIREMENT PENSION PLAN (PERS)**

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) Employer's covered payroll <sup>1</sup>	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.36 %	\$ 62,667,430	\$ 34,070,383	183.9 %	80.2 %
2019	0.36	54,917,814	30,866,789	177.9	82.1
2018	0.36	48,934,385	28,759,150	170.2	83.1
2017	0.41	61,372,959	26,086,298	235.3	80.5
2016	0.50	28,887,403	24,976,750	115.7	91.9
2015	0.53	(11,973,053)	25,079,363	(47.7)	103.6
2014	0.53	26,955,419	25,060,193	107.6	92.0

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

<sup>1</sup> Amounts for covered payroll use the prior year's data to match the measurement date used by the pension plan for each fiscal year.

**SCHEDULE OF CONTRIBUTIONS**

**OREGON PUBLIC EMPLOYEE RETIREMENT PENSION PLAN (PERS)**

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2020	\$ 8,934,533	\$ 8,934,533	\$ -	\$ 34,752,100	25.7 %
2019	7,096,234	7,096,234	-	34,070,383	20.8
2018	6,328,967	6,328,967	-	30,866,789	20.5
2017	5,053,661	5,053,661	-	28,759,150	17.6
2016	4,762,074	4,762,074	-	26,086,298	18.3
2015	4,982,087	4,982,087	-	24,976,750	19.9
2014	5,111,176	5,111,176	-	25,079,363	20.4

The amounts presented for each fiscal year were actuarially determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**REQUIRED SUPPLEMENTARY INFORMATION**

**At June 30, 2020**

**SCHEDULE OF CHANGE IN THE TOTAL OPEB LIABILITY - PHIS**

JUNE 30, 2020

(DOLLAR AMOUNTS IN THOUSANDS)

Year Ended June 30,	Service Cost	Interest	Change of Benefit Terms	Difference between expected and actual results	Changes of assumptions or other inputs	Benefit payments	Net change in total OPEB liability
2020	\$ 147	\$ 59	\$ -	\$ (158)	\$ (164)	\$ (108)	\$ (224)
2019	145	53	-	-	(27)	(108)	63
2018	151	41	-	-	(66)	(94)	32

**SCHEDULE OF TOTAL OPEB LIABILITY AND RELATED RATIOS- PHIS**

JUNE 30, 2020

(DOLLAR AMOUNTS IN THOUSANDS)

Year Ended June 30,	Total OPEB liability beginning	Net change in total OPEB liability	Total OPEB liability ending	Covered payroll <sup>2</sup>	Total OPEB liability as percentage of covered payroll	Discount Rate
2020	\$ 1,445	\$ (224)	\$ 1,221	\$ 34,070	3.6%	3.50%
2019	1,382	63	1,445	30,867	4.7%	3.87%
2018	1,350	32	1,382	28,759	4.8%	3.58%
2017	-	-	1,350	26,086	5.2%	2.85%

**Notes:**

These schedules are required to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

*Changes of assumptions.* Changes of assumptions and other inputs reflect the effects of changes to the discount rate each period.

<sup>1</sup> The amounts presented for each fiscal year were actuarially determined at July 1 of odd years and rolled forward to the measurement date.

<sup>2</sup> Amounts for covered payroll use the prior year's data to match the measurement date used by the pension plan for each fiscal year.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**REQUIRED SUPPLEMENTARY INFORMATION**

**At June 30, 2020**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY FOR RHIA**  
JUNE 30, 2020

Year Ended June 30,	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability (NOL) <sup>1</sup>	District's covered- employee payroll <sup>2</sup>	NOL as a percentage of covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.28%	\$ (538,147)	\$ 34,070,383	-1.6%	146.7%
2019	0.26%	(291,967)	30,866,789	-0.9%	124.0%
2018	0.26%	(106,738)	28,759,150	-0.4%	108.9%
2017	0.25%	67,587	26,086,298	0.3%	94.1%

**SCHEDULE OF CONTRIBUTIONS FOR RHIA**  
JUNE 30, 2020

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
2020	\$ 24,994	\$ 24,994	\$ -	\$ 34,752,100	0.1%
2019	138,026	138,026	-	34,070,383	0.4%
2018	126,646	126,646	-	30,866,789	0.4%
2017	127,181	127,181	-	28,759,150	0.4%

**Notes:**

These schedules are required to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

<sup>1</sup> The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

<sup>2</sup> Amounts for covered payroll use the prior year's data to match the measurement date used by the pension plan for each fiscal year.



**Northwest Regional**  
Education Service District

## **OTHER SUPPLEMENTARY INFORMATION**



**Northwest Regional**  
Education Service District

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**CAPITAL PROJECTS FUND**

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

**For the Year Ended June 30, 2020**

	<u>Budget</u>		<u>Actual</u>	<u>Variance to Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Other sources	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Facilities acquisition and construction	122,000	122,000 (1)	25,275	96,725
<b>Total expenditures</b>	<u>122,000</u>	<u>122,000</u>	<u>25,275</u>	<u>96,725</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(122,000)	(122,000)	(25,275)	96,725
<b>OTHER FINANCING SOURCE</b>				
Transfers in	50,000	50,000	50,000	-
<b>Total other financing sources (uses)</b>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(72,000)	(72,000)	24,725	96,725
<b>BEGINNING FUND BALANCE</b>	<u>72,000</u>	<u>72,000</u>	<u>122,888</u>	<u>(50,888)</u>
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,613</u>	<u>\$ 147,613</u>

(1) Appropriation level

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**ENTERPRISE FUND**

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

**For the Year Ended June 30, 2020**

	<u>Budget</u>		<u>Actual</u>	<u>Variance to Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
<b>Local sources:</b>				
Services provided to local districts	\$ 3,145,667	\$ 3,145,667	\$ 3,303,073	\$ 157,406
Recouping current expenses	15,000	15,000	-	(15,000)
Services provided to other agencies	1,664,501	1,664,501	2,159,749	495,248
<b>Total revenues</b>	<u>4,825,168</u>	<u>4,825,168</u>	<u>5,462,822</u>	<u>637,654</u>
<b>EXPENDITURES:</b>				
<b>Support services</b>				
Fiscal services	620,185	620,185	596,806	23,379
Staff services	433,700	433,700	360,383	73,317
Technology services	7,481,111	7,481,111	7,430,955	50,156
<b>Total expenditures</b>	<u>8,534,996</u>	<u>8,534,996 (1)</u>	<u>8,388,144</u>	<u>146,852</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(3,709,828)</u>	<u>(3,709,828)</u>	<u>(2,925,322)</u>	<u>784,506</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,754,885	2,754,885	1,313,388	(1,441,497)
<b>Total other financing sources (uses)</b>	<u>2,754,885</u>	<u>2,754,885</u>	<u>1,313,388</u>	<u>(1,441,497)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(954,943)</u>	<u>(954,943)</u>	<u>(1,611,934)</u>	<u>(656,991)</u>
<b>BEGINNING FUND BALANCE</b>	<u>954,943</u>	<u>954,943</u>	<u>2,903,418</u>	<u>1,948,475</u>
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,291,484</u>	<u>\$ 1,291,484</u>

(1) Appropriation level

**RECONCILIATION TO GAAP BASIS:**

<b>FUND BALANCE, June 30, 2020</b>	\$ 1,291,484
Net pension asset	-
Net pension liability	(4,245,135)
Net pension related deferrals (net)	1,295,540
<b>NET POSITION, June 30, 2020</b>	<u>\$ (1,658,111)</u>

**RECONCILIATION TO GAAP BASIS:**

<b>NET CHANGE IN FUND BALANCE (above)</b>	\$ (1,611,934)
Pension income(expense) (page 28)	(391,037)
<b>NET CHANGE IN NET POSITION</b>	<u>\$ (2,002,971)</u>

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**AGENCY FUND**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**For the Year Ended June 30, 2020**

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	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 11,337,112	\$ 45,188,820	\$ 44,162,844	\$ 12,363,088
Accounts receivable	189,967	-	189,967	-
	<u>\$ 11,527,079</u>	<u>\$ 45,188,820</u>	<u>\$ 44,352,811</u>	<u>\$ 12,363,088</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,304,142	\$ 18,001,093	\$ 19,239,277	\$ 65,958
Due to school districts	10,222,937	40,954,557	38,880,364	12,297,130
	<u>\$ 11,527,079</u>	<u>\$ 58,955,650</u>	<u>\$ 58,119,641</u>	<u>\$ 12,363,088</u>

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**AGENCY FUND**

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

**For the Year Ended June 30, 2020**

	<u>Budget</u>		<u>Actual</u>	<u>Variance to Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
<b>Local sources:</b>				
Charges for services	\$ 185,000	\$ 185,000	\$ 88,000	\$ (97,000)
<b>Intermediate sources:</b>				
General ESD funds	-	-	715,354	715,354
<b>State sources:</b>				
Other restricted grants-in-aid	-	-	500	500
<b>Total revenues</b>	<u>185,000</u>	<u>185,000</u>	<u>803,854</u>	<u>618,854</u>
<b>EXPENDITURES:</b>				
Instruction	13,097,871	13,097,871 (1)	12,739,949	357,922
Support services	8,620,046	8,920,046 (1)	8,612,707	307,339
Community services	200,000	300,000 (1)	139,078	160,922
<b>Total expenditures</b>	<u>21,917,917</u>	<u>22,317,917</u>	<u>21,491,734</u>	<u>826,183</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(21,732,917)</u>	<u>(22,132,917)</u>	<u>(20,687,880)</u>	<u>1,445,037</u>
<b>OTHER FINANCING SOURCE</b>				
Transfers in	39,700,703	39,700,703	40,150,703	450,000
Transfers out *	(849,424)	(849,424) (1)	(849,424)	-
Transits to other agencies *	(26,260,362)	(25,860,362) (1)	(16,539,206)	9,321,156
<b>Total other financing sources (uses)</b>	<u>12,590,917</u>	<u>12,990,917</u>	<u>22,762,073</u>	<u>9,771,156</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(9,142,000)</u>	<u>(9,142,000)</u>	<u>2,074,193</u>	<u>11,216,193</u>
<b>BEGINNING FUND BALANCE</b>	<u>9,142,000</u>	<u>9,142,000</u>	<u>10,222,937</u>	<u>1,080,937</u>
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,297,130</u>	<u>\$ 12,297,130</u>

\* Appropriated as other uses.

(1) Appropriation level

## **OTHER FINANCIAL SCHEDULES**



**Northwest Regional**  
Education Service District

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**REVENUE SUMMARY - ALL FUNDS  
YEAR ENDED JUNE 30, 2020**

	<b>Fund 100</b>	<b>Fund 200</b>	<b>Fund 400</b>	<b>Fund 500</b>	<b>Fund 700</b>	<b>TOTAL</b>
<b>Revenue from Local Sources</b>						
1111 Taxes - current year's levy	\$ 12,393,316	\$ -	\$ -	\$ -	\$ -	12,393,316
1112 Taxes - prior year's levies	146,546	-	-	-	-	146,546
1114 Tax offsets	7,053	-	-	-	-	7,053
1190 Penalties and interest on taxes	11,367	-	-	-	-	11,367
1311 Tuition from individuals	-	2,520	-	-	-	2,520
1312 Tuition from regional districts	-	1,149,864	-	-	-	1,149,864
1314 Tuition from IN/ST Out/Regional	-	660,686	-	-	-	660,686
1510 Earnings on investments	426,026	-	-	-	-	426,026
1700 Extracurricular activities	-	736	-	-	-	736
1811 GED fees	-	2,893	-	-	-	2,893
1910 Rentals	11,914	-	-	-	-	11,914
1920 Contributions and donations from private sources	-	500,719	-	-	88,000	588,719
1940 Services provided other local education agencies	79,694	21,681,764	-	2,982,980	-	24,744,438
1960 Recovery of prior year expenditures	144,064	67,987	-	203,495	-	415,546
1970 Services provided other funds	686,655	-	-	-	-	686,655
1980 Fees charged to grants	1,751,703	-	-	-	-	1,751,703
1990 Miscellaneous	28,259	23,419	-	116,598	-	168,276
1993 Services to other agencies	-	25,318	-	2,159,749	-	2,185,067
1994 NWRES D third-party billing	-	135,681	-	-	-	135,681
1996 MAC revenue	26,448	2,803,069	-	-	-	2,829,517
<b>Total Revenue from Local Sources</b>	<b>15,713,045</b>	<b>27,054,656</b>	<b>-</b>	<b>5,462,822</b>	<b>88,000</b>	<b>48,318,523</b>
<b>Revenue from Intermediate Sources</b>						
2102 General ESD Funds	-	-	-	-	715,354	715,354
2105 Natural gas, oil and mineral receipts	5,160	-	-	-	-	5,160
<b>Total Revenue from Intermediate Sources</b>	<b>5,160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>715,354</b>	<b>720,514</b>
<b>Revenue from State Sources</b>						
3101 State school support fund - general support	36,249,998	-	-	-	-	36,249,998
3102 SSF - school lunch match	-	2,196	-	-	-	2,196
3104 State timber revenue	439,591	-	-	-	-	439,591
3202 Special ed reimbursement	-	3,177,707	-	-	-	3,177,707
3223 Early intervention	-	18,733,171	-	-	-	18,733,171
3250 Oregon youth conservation corp.	-	20,000	-	-	-	20,000
3299 Other restricted grants-in-aid	-	5,643,269	-	-	500	5,643,769
3990 Other state sources	-	115,417	-	-	-	115,417
<b>Total Revenue from State Sources</b>	<b>36,689,589</b>	<b>27,691,760</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>64,381,849</b>
<b>Revenue from Federal Sources</b>						
4500 Restricted rev fed gov through state	-	673,417	-	-	-	673,417
4504 National School Breakfast Program	-	7,963	-	-	-	7,963
4505 National School Lunch Program	-	17,595	-	-	-	17,595
4506 National School Snack Program	-	2,746	-	-	-	2,746
4508 IDEA	-	5,754,880	-	-	-	5,754,880
4512 Title I Neglected / Delinquent	-	112,600	-	-	-	112,600
4514 Title III NCLB Grant	-	32,995	-	-	-	32,995
4515 Title IC Migrant Project	-	649,501	-	-	-	649,501
4517 Youth Transition	-	106,818	-	-	-	106,818
4525 State Imp ESD Assess Supp	-	269	-	-	-	269
4910 USDA donated commodities	-	13,287	-	-	-	13,287
<b>Total Revenue from Federal Sources</b>	<b>-</b>	<b>7,372,071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,372,071</b>
<b>Revenue from Other Sources</b>						
5200 Interfund transfers	236,176	3,116,787	50,000	1,313,388	40,150,703	44,867,054
5400 Resources - beginning fund balance	3,928,173	2,186,131	122,888	2,903,418	10,222,937	19,363,547
<b>Total Revenue from Other Sources</b>	<b>4,164,349</b>	<b>5,302,918</b>	<b>172,888</b>	<b>4,216,806</b>	<b>50,373,640</b>	<b>64,230,601</b>
<b>Total</b>	<b>\$ 56,572,143</b>	<b>\$ 67,421,405</b>	<b>\$ 172,888</b>	<b>\$ 9,679,628</b>	<b>\$ 51,177,494</b>	<b>\$ 185,023,558</b>

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**GENERAL FUND  
EXPENDITURE SUMMARY  
YEAR ENDED JUNE 30, 2020**

**Fund: 100 General Funds**

	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>	<b>Object 700</b>	<b>TOTAL</b>
<b>Support Services Expenditures</b>								
2110 Attendance and social work services	\$ 127,649	\$ 44,312	\$ 1,023	\$ 5,986	\$ -	\$ 315	\$ -	\$ 179,285
2130 Health service	-	-	5,300	685	-	-	-	5,985
2210 Improvement of instruction services	299,494	163,439	131,998	8,884	-	8,226	-	612,041
2240 Instructional staff development	-	-	26,524	-	-	-	-	26,524
2310 Board of education services	-	-	136,477	3,202	-	28,723	-	168,402
2320 Executive administration services	752,787	500,960	265,158	31,964	-	29,317	-	1,580,186
2510 Direction of business support services	803,108	537,862	34,203	9,871	-	212,158	-	1,597,202
2520 Fiscal services	-	7,387	-	-	-	28,012	-	35,399
2540 Operation and maintenance of plant services	81,687	54,289	418,729	38,742	-	1,814	-	595,261
2570 Internal services	75,914	52,879	213,790	12,903	-	2,646	-	358,132
2630 Information services	97,672	50,663	37,096	4,459	-	1,427	-	191,317
2640 Staff services	545,825	522,826	14,660	24,970	-	62,917	-	1,171,198
2660 Technology services	514,576	324,415	16,697	461,966	-	10,732	-	1,328,386
<b>Total Support Services Expenditures</b>	<b>3,298,712</b>	<b>2,259,032</b>	<b>1,301,655</b>	<b>603,632</b>	<b>-</b>	<b>386,287</b>	<b>-</b>	<b>7,849,318</b>
<b>Other Uses Expenditures</b>								
5110 Debt Service	-	-	-	-	-	781,379	-	781,379
5200 Transfers of Funds	-	-	-	-	-	-	43,405,937	43,405,937
<b>Total Other Uses Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>781,379</b>	<b>43,405,937</b>	<b>44,187,316</b>
<b>Total 100 General Funds</b>	<b>\$ 3,298,712</b>	<b>\$ 2,259,032</b>	<b>\$ 1,301,655</b>	<b>\$ 603,632</b>	<b>\$ -</b>	<b>\$ 1,167,666</b>	<b>\$ 43,405,937</b>	<b>\$ 52,036,634</b>

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**SPECIAL REVENUE FUND  
EXPENDITURE SUMMARY  
YEAR ENDED JUNE 30, 2020**

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**Fund: 200 Special Revenue Funds**

	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>	<b>Object 700</b>	<b>TOTAL</b>
<b>Instruction Expenditures</b>								
1121 Middle / Junior high programs	\$ 973,694	\$ 309,376	\$ 726,497	\$ 215,341	\$ -	\$ 7,109	\$ -	\$ 2,232,017
1131 High school programs	86,475	33,628	20,965	2,478	-	-	-	143,546
1220 Restrictive programs for students with disabilities	2,379,143	1,587,767	2,021,805	51,500	-	151,590	-	6,191,805
1250 Less restrictive programs for students with disabilities	4,998,556	3,214,012	1,463,811	169,138	-	177,428	-	10,022,945
1260 Treatment and habilitation	11,639,163	7,501,417	2,618,448	80,524	-	289,928	-	22,129,480
1281 Alternative education	47,404	32,362	982	2,359	-	3,378	-	86,485
1294 Youth corrections education	-	-	-	-	-	-	-	-
1299 Other programs	-	-	-	-	-	-	-	-
<b>Total Instruction Expenditures</b>	<b>20,124,435</b>	<b>12,678,562</b>	<b>6,852,508</b>	<b>521,340</b>	<b>-</b>	<b>629,433</b>	<b>-</b>	<b>40,806,278</b>
<b>Support Services Expenditures</b>								
2110 Attendance and social work services	302,013	180,751	170,092	41,652	-	42,799	-	737,307
2130 Health service	1,267,406	720,694	507,827	4,548	-	24,643	-	2,525,118
2140 Psychological services	1,280,144	723,903	97,748	37,461	-	21,042	-	2,160,298
2150 Speech pathology and audiology services	1,417,303	823,333	397,468	11,016	-	31,615	-	2,680,735
2160 Other student treatment services	497,459	298,223	36,279	59,145	-	41,982	-	933,088
2190 Service direction, student support services	1,580,757	963,799	38,146	5,216	-	1,447,954	-	4,035,872
2210 Improvement of instruction services	484,597	247,820	657,562	5,667	-	76,733	-	1,472,379
2230 Assessment and testing	81,190	55,068	837	-	-	1,764	-	138,859
2240 Instructional staff development	543,309	304,956	163,393	28,026	-	12,121	-	1,051,805
2410 Office of the principal services	37,730	20,514	-	-	-	315	-	58,559
2490 Other support services - school administration	-	-	102,801	2,561	-	-	-	105,362
2529 Other fiscal services	-	-	-	-	-	179,755	-	179,755
2620 Plan, research and development	605,838	332,703	857,763	42,079	-	28,730	-	1,867,113
2660 Technology services	-	-	3,609	14,084	-	-	-	17,693
<b>Total Support Services Expenditures</b>	<b>8,097,746</b>	<b>4,671,764</b>	<b>3,033,525</b>	<b>251,455</b>	<b>-</b>	<b>1,909,453</b>	<b>-</b>	<b>17,963,943</b>
<b>Enterprise and Community Services</b>								
3300 Community services	401,230	235,932	1,245,220	67,580	-	59,819	-	2,009,781
3390 Other community services	55,714	39,721	5,531	1,546	-	6,812	-	109,324
<b>Total Enterprise and Community Services</b>	<b>456,944</b>	<b>275,653</b>	<b>1,250,751</b>	<b>69,126</b>	<b>-</b>	<b>66,631</b>	<b>-</b>	<b>2,119,105</b>
<b>Other Uses Expenditures</b>								
5200 Transfers of funds	-	-	-	-	-	-	611,693	611,693
5300 Apportionment of funds	-	-	-	-	-	-	3,883,450	3,883,450
<b>Total Other Uses Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,495,143</b>	<b>4,495,143</b>
<b>Total 200 Special Revenue Funds</b>	<b>\$ 28,679,125</b>	<b>\$ 17,625,979</b>	<b>\$ 11,136,784</b>	<b>\$ 841,921</b>	<b>\$ -</b>	<b>\$ 2,605,517</b>	<b>\$ 4,495,143</b>	<b>\$ 65,384,469</b>

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**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**CAPITAL PROJECTS FUND  
EXPENDITURE SUMMARY  
YEAR ENDED JUNE 30, 2020**

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**Fund: 400 Capital Projects Funds**

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>	<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>Object 700</u>	<u>TOTAL</u>
<b>Facilities Acquisition and Construction Expenditures</b>								
4150								
Building acquisition, construction and improvement	\$ -	\$ -	\$ 25,275	\$ -	\$ -	\$ -	\$ -	25,275
<b>Total Facilities and Construction Expenditures</b>	<u>-</u>	<u>-</u>	<u>25,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,275</u>
<b>Total 400 Capital Projects Funds</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>25,275</u>

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**ENTERPRISE FUND  
EXPENDITURE SUMMARY  
YEAR ENDED JUNE 30, 2020**

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**Fund: 500 Enterprise Funds**

	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>	<b>Object 700</b>	<b>TOTAL</b>
<b>Support Services Expenditures</b>								
2520 Fiscal services	\$ 347,177	\$ 232,675	\$ 7,445	\$ 2,327	\$ -	\$ 7,182	\$ -	\$ 596,806
2640 Staff services	207,588	101,658	7,674	33,116	-	10,347	-	360,383
2660 Technology services	1,854,573	1,024,835	775,960	3,491,110	21,936	35,997	226,544	7,430,955
<b>Total Support Services Expenditures</b>	<b>2,409,338</b>	<b>1,359,168</b>	<b>791,079</b>	<b>3,526,553</b>	<b>21,936</b>	<b>53,526</b>	<b>226,544</b>	<b>8,388,144</b>
<b>Total 500 Enterprise Funds</b>	<b>\$ 2,409,338</b>	<b>\$ 1,359,168</b>	<b>\$ 791,079</b>	<b>\$ 3,526,553</b>	<b>\$ 21,936</b>	<b>\$ 53,526</b>	<b>\$ 226,544</b>	<b>\$ 8,388,144</b>

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**AGENCY FUND  
EXPENDITURE SUMMARY  
YEAR ENDED JUNE 30, 2020**

<b>Fund: 700 Agency Funds</b>									
	<b>Object 100</b>	<b>Object 200</b>	<b>Object 300</b>	<b>Object 400</b>	<b>Object 500</b>	<b>Object 600</b>	<b>Object 700</b>	<b>TOTAL</b>	
<b>Instruction</b>									
1131 High school programs	\$ -	\$ -	\$ 577,217	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 577,217
1220 Restrictive programs for students with disabilities	-	-	2,554,969	-	-	-	-	-	2,554,969
1250 Less restrictive programs for students with disabilities	-	-	7,526,368	-	-	-	-	-	7,526,368
1260 Treatment and habilitation	-	-	2,029,906	-	-	-	-	-	2,029,906
1280 Alternative Education	-	-	51,489	-	-	-	-	-	51,489
<b>Total Instruction Expenditures</b>	-	-	<b>12,739,949</b>	-	-	-	-	-	<b>12,739,949</b>
<b>Support Services Expenditures</b>									
2110 Attendance and social work services	-	-	38,705	-	-	-	-	-	38,705
2130 Health services	-	-	1,936,157	-	-	-	-	-	1,936,157
2140 Psychological services	-	-	1,747,914	-	-	-	-	-	1,747,914
2150 Speech pathology and audiology services	-	-	2,167,625	-	-	-	-	-	2,167,625
2160 Other student treatment services	-	-	744,915	-	-	-	-	-	744,915
2190 Service direction student support services	-	-	300	-	-	-	-	-	300
2240 Instructional staff development	-	-	385	-	-	-	-	-	385
2520 Fiscal services	-	-	133,775	-	-	-	-	-	133,775
2620 Plan, research and development	-	-	100,000	-	-	-	-	-	100,000
2660 Technology Services	-	-	1,670,394	72,537	-	-	-	-	1,742,931
<b>Total Support Services Expenditures</b>	-	-	<b>8,540,170</b>	<b>72,537</b>	-	-	-	-	<b>8,612,707</b>
<b>Enterprise and Community Services</b>									
3300 Community services	-	-	103,511	23,029	-	12,538	-	-	139,078
<b>Total Enterprise and Community Services</b>	-	-	<b>103,511</b>	<b>23,029</b>	-	<b>12,538</b>	-	-	<b>139,078</b>
<b>Other Uses Expenditures</b>									
5200 Transfers of Funds	-	-	-	-	-	-	849,424	-	849,424
5300 Apportionment of funds	-	-	-	-	-	-	16,539,206	-	16,539,206
<b>Total Other Uses Expenditures</b>	-	-	-	-	-	-	<b>17,388,630</b>	-	<b>17,388,630</b>
<b>Total 700 Agency Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,383,630</b>	<b>\$ 95,566</b>	<b>\$ -</b>	<b>\$ 12,538</b>	<b>\$ 17,388,630</b>	<b>\$ -</b>	<b>\$ 38,880,364</b>

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

**SCHEDULE OF PROPERTY TAX TRANSACTIONS**

**YEAR ENDED JUNE 30, 2020**

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<b>Tax Year</b>	<b>Uncollected July 1, 2019</b>	<b>Levy as Extended by Assessor</b>	<b>Discounts Allowed</b>	<b>Interest</b>	<b>Adjustments</b>	<b>Collections</b>	<b>Uncollected June 30, 2020</b>
Current:							
2019-2020	\$ -	\$ 12,908,172	\$ (342,481)	\$ 3,750	\$ (37,046)	\$ (12,355,742)	\$ 176,653
Prior:							
2018-2019	169,702		49	6,569	(3,216)	(104,699)	68,405
2017-2018	58,373	-	13	4,754	(3,211)	(27,919)	32,010
2016-2017	32,452	-	(9)	6,247	(3,729)	(24,527)	10,434
2015-2016	13,201	-	(15)	3,308	(2,005)	(11,407)	3,082
2014-2015	5,117	-	(15)	841	(1,007)	(2,273)	2,663
2013-2014 and prior	14,201	-	(82)	1,077	(790)	(4,774)	9,632
Total Prior	<u>293,046</u>	<u>-</u>	<u>(59)</u>	<u>22,796</u>	<u>(13,958)</u>	<u>(175,599)</u>	<u>126,226</u>
Total Taxes	<u>\$ 293,046</u>	<u>\$ 12,908,172</u>	<u>\$ (342,540)</u>	<u>\$ 26,546</u>	<u>\$ (51,004)</u>	<u>\$ (12,531,341)</u>	<u>\$ 302,879</u>

***Reconciliation to tax revenue on basic financial statements:***

Collections	\$ 12,531,341
June 30, 2019 accrual	(68,476)
June 30, 2020 accrual	76,997
Tax offsets and other	18,420
Property tax revenue	<u>\$ 12,558,282</u>

***Reconciliation to tax revenue on Statement of Activities:***

Property tax revenue	\$ 12,558,282
June 30, 2019 accrual	(224,570)
June 30, 2020 accrual	225,882
Property tax revenue	<u>\$ 12,559,594</u>

**Northwest Regional Education Service District**

Hillsboro, Oregon

**SUPPLEMENTAL INFORMATION REQUIRED BY THE STATE OF OREGON  
DEPARTMENT OF EDUCATION  
YEAR ENDED JUNE 30, 2020**

School District Business Managers and Auditors:

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

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

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

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

	Objects 325, 326 & 327
Function 2540	\$ 112,892
Function 2550	\$ -

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

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

\$	-
----	---

Exclude these functions:

Exclude these functions:

1113, 1122 & 1132	Co - curricular Activities	4150	Construction
1140	Pre - Kindergarten	2550	Pupil Transportation
1300	Continuing Education	3100	Food Services
1400	Summer School	3300	Community Services



**STATISTICAL SECTION**



## STATISTICAL SECTION OVERVIEW

This section provides further details as a context for a better understanding of the financial statements.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how financial performance has changed over time.	88
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue sources, state school fund and property taxes.	96
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the ability to issue additional debt in the future.	100
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	101
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	103

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

CONDENSED STATEMENT OF NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

Governmental Activities	Fiscal Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Assets</b>					
Cash and cash equivalents	\$ 49,010	\$ 6,409,526	\$ 4,941,095	\$ 6,559,333	\$ 7,705,775
Property taxes and other receivables	17,513,375	8,164,456	8,552,546	10,520,541	9,335,979
Net Pension asset	-	-	-	-	11,181,741
Bond issuance costs, net of accumulated amortization	108,547	100,198	91,848	-	-
Land	467,500	467,500	467,500	467,500	467,500
Capital assets, net of depreciation	10,128,870	10,891,241	10,539,626	10,257,300	10,142,605
<b>Total Assets</b>	<b>28,267,302</b>	<b>26,032,921</b>	<b>24,592,615</b>	<b>27,804,674</b>	<b>38,833,600</b>
<b>Deferred outflows of resources</b>					
Pension Related Deferred Outflows (PERS)	-	-	-	-	-
OPEB Related Deferred Outflows (PHIS)	-	-	-	-	-
OPEB Related Deferred Outflows (RHIA)	-	-	-	-	-
Deferred amount on refunding	-	-	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>					
Book overdraft	4,166,513	-	-	-	-
Accounts payable	906,678	856,311	951,865	1,307,066	873,486
Accrued payroll, taxes, and employee withholdings	2,048,278	2,195,511	2,441,696	3,861,988	4,113,111
Accrued interest payable	16,240	15,465	14,543	13,576	12,579
Accrued compensated absences payable	24,804	45,755	61,221	54,648	58,071
Unearned revenue	-	-	-	-	-
Proportionate share of PERS net pension liability	-	-	-	-	-
Net other post employment pension obligation	1,439,002	1,894,880	2,079,440	2,268,654	2,203,927
Long-term debt:					
Due within one year	339,955	354,955	369,955	389,955	409,955
Due in more than one year	5,804,458	5,449,503	5,079,548	4,689,591	4,279,634
<b>Total Liabilities</b>	<b>14,745,928</b>	<b>10,812,380</b>	<b>10,998,268</b>	<b>12,585,478</b>	<b>11,950,763</b>
<b>Deferred inflows of resources</b>					
Pension Related Deferred Inflows (PERS)	-	-	-	-	-
OPEB Related Deferred Outflows (PHIS)	-	-	-	-	-
OPEB Related Deferred Outflows (RHIA)	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>					
Net invested in capital assets	4,451,957	3,658,403	3,478,183	5,645,252	5,920,516
Restricted for special revenues	5,505,681	4,701,105	4,551,205	3,536,356	5,621,114
Restricted for capital projects	594,043	353,538	353,538	403,540	453,540
Restricted for PERS RHIA OPEB asset	-	-	-	-	-
Unrestricted	2,959,693	4,888,028	5,211,421	5,639,265	(2,016,069)
<b>Total Net Position Governmental Activities</b>	<b>\$ 13,511,374</b>	<b>\$ 13,601,074</b>	<b>\$ 13,594,347</b>	<b>\$ 15,224,413</b>	<b>\$ 9,979,101</b>
<b>Business Activities</b>					
<b>Assets</b>	686,458	1,741,063	1,937,482	1,545,953	3,216,003
<b>Liabilities</b>	49,589	122,596	123,084	5,219	7,012
<b>Deferred outflows of resources</b>	-	-	-	-	-
<b>Deferred inflows of resources</b>	-	-	-	-	1,196,247
<b>Total Net Position Business Activities - Unrestricted</b>	<b>\$ 636,869</b>	<b>\$ 1,618,467</b>	<b>\$ 1,814,398</b>	<b>\$ 1,540,734</b>	<b>\$ 2,012,744</b>
<b>Total Net Position</b>	<b>\$ 14,148,243</b>	<b>\$ 15,219,541</b>	<b>\$ 15,408,745</b>	<b>\$ 16,765,147</b>	<b>\$ 11,991,845</b>

Source: Statement of Net Position Northwest Regional ESD

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

CONDENSED STATEMENT OF NET POSITION - Continued

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Years				
	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Governmental Activities</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 9,085,411	\$ 7,281,334	\$ 4,967,300	\$ 3,110,193	\$ 392,374
Property taxes and other receivables	9,219,449	9,483,748	10,285,447	8,019,179	10,848,910
Net Pension asset	-	-	106,738	291,967	538,147
Bond issuance costs, net of accumulated amortization	-	-	-	-	-
Land	467,500	467,500	467,500	467,500	467,500
Capital assets, net of depreciation	9,873,914	10,435,453	10,162,038	10,486,400	9,763,432
<b>Total Assets</b>	<b>28,646,274</b>	<b>27,668,035</b>	<b>25,989,023</b>	<b>22,375,239</b>	<b>22,010,363</b>
<b>Deferred outflows of resources</b>					
Pension Related Deferred Outflows (PERS)	-	30,901,082	18,582,022	22,799,711	21,603,884
OPEB Related Deferred Outflows (PHIS)	-	-	107,603	107,536	105,075
OPEB Related Deferred Outflows (RHIA)	-	-	128,008	138,883	25,346
Deferred amount on refunding	-	-	107,429	93,456	81,539
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>30,901,082</b>	<b>18,925,062</b>	<b>23,139,586</b>	<b>21,815,844</b>
<b>Liabilities</b>					
Book overdraft	-	-	-	-	-
Accounts payable	381,697	574,349	400,133	1,378,797	839,799
Accrued payroll, taxes, and employee withholdings	3,740,354	3,422,579	3,343,811	3,288,813	3,451,143
Accrued interest payable	11,520	8,996	7,758	6,476	5,157
Accrued compensated absences payable	58,661	52,100	64,055	67,707	104,356
Unearned revenue	-	-	-	-	4,402
Proportionate share of PERS net pension liability	26,945,280	57,440,382	45,791,786	51,641,978	58,422,295
Net other post employment pension obligation	2,152,485	2,116,210	1,382,361	1,445,032	1,221,132
Long-term debt:					
Due within one year	424,955	585,466	607,665	635,037	657,584
Due in more than one year	3,854,679	3,802,536	3,194,871	2,559,834	1,902,250
<b>Total Liabilities</b>	<b>37,569,631</b>	<b>68,002,618</b>	<b>54,792,440</b>	<b>61,023,674</b>	<b>66,608,118</b>
<b>Deferred inflows of resources</b>					
Pension Related Deferred Inflows (PERS)	5,919,193	5,273,627	6,917,518	7,339,562	4,744,940
OPEB Related Deferred Outflows (PHIS)	-	-	57,525	71,210	337,238
OPEB Related Deferred Outflows (RHIA)	-	-	49,435	81,325	114,531
<b>Total Deferred Inflows of Resources</b>	<b>5,919,193</b>	<b>5,273,627</b>	<b>7,024,478</b>	<b>7,492,097</b>	<b>5,196,709</b>
<b>Net Position</b>					
Net invested in capital assets	6,061,780	6,514,951	6,827,002	7,852,485	7,752,637
Restricted for special revenues	8,186,894	7,781,177	6,637,453	2,186,131	2,036,936
Restricted for capital projects	481,880	49,886	72,888	122,888	147,613
Restricted for PERS RHIA OPEB asset	-	-	-	291,967	538,147
Unrestricted	(24,071,335)	(29,053,142)	(30,440,176)	(33,454,417)	(38,453,953)
<b>Total Net Position Governmental Activities</b>	<b>\$ (9,340,781)</b>	<b>\$ (14,707,128)</b>	<b>\$ (16,902,833)</b>	<b>\$ (23,000,946)</b>	<b>\$ (27,978,620)</b>
<b>Business Activities</b>					
<b>Assets</b>	1,406,956	2,178,428	3,207,304	3,069,416	1,604,614
<b>Liabilities</b>	1,942,123	4,328,992	3,397,208	3,441,834	4,558,265
<b>Deferred outflows of resources</b>	404,035	2,024,227	1,189,104	1,182,853	1,640,321
<b>Deferred inflows of resources</b>	426,635	361,052	474,736	465,575	344,781
<b>Total Net Position Business Activities - Unrestricted</b>	<b>\$ (557,767)</b>	<b>\$ (487,389)</b>	<b>\$ 524,464</b>	<b>\$ 344,860</b>	<b>\$ (1,658,111)</b>
<b>Total Net Position</b>	<b>\$ (9,898,548)</b>	<b>\$ (15,194,517)</b>	<b>\$ (16,378,369)</b>	<b>\$ (22,656,086)</b>	<b>\$ (29,636,731)</b>

Source: Statement of Net Position Northwest Regional ESD

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES  
Last Ten Fiscal Years  
(accrual basis of accounting)

Governmental Activities	Fiscal Years				
	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Expenses</b>					
Instruction	\$ 28,949,821	\$ 27,491,892	\$ 29,674,307	\$ 29,810,073	\$ 21,269,568
Support services	52,558,999	49,524,176	50,240,777	52,680,242	51,670,311
Community services	162,756	107,809	142,218	101,164	172,702
Interest on long-term debt	310,985	298,380	285,312	267,982	267,988
<b>Total Expenses</b>	<b>81,982,561</b>	<b>77,422,257</b>	<b>80,342,614</b>	<b>82,859,461</b>	<b>73,380,569</b>
<b>Program Revenues</b>					
Charges for services					
Instruction	11,012,856	11,731,104	23,910,226	23,769,023	18,160,074
Support services	12,559,628	12,527,982	4,926,203	6,339,345	7,411,572
Community services	-	7,912	-	-	-
Operating grants and contributions					
Instruction	18,171,370	18,067,586	16,654,537	16,998,045	23,365,229
Support services	3,320,152	1,511,737	493,273	458,064	555,226
Community services	131,964	97,318	134,440	92,010	103,585
<b>Total Program Revenues</b>	<b>45,195,970</b>	<b>43,943,639</b>	<b>46,118,679</b>	<b>47,656,487</b>	<b>49,595,686</b>
<b>Net (Expenses)</b>	<b>(36,786,591)</b>	<b>(33,478,618)</b>	<b>(34,223,935)</b>	<b>(35,202,974)</b>	<b>(23,784,883)</b>
<b>General Revenues</b>					
Property taxes, levied for general purposes	8,907,445	9,069,061	9,255,442	9,700,133	9,964,922
Federal aid not restricted to specific purposes	5,270,814	773,838	-	-	-
Timber revenue	242,199	213,126	277,120	318,010	333,621
State school fund for general support	22,975,559	23,446,401	24,493,696	26,789,365	28,519,652
Interest and investment earnings	47,375	65,892	99,102	117,380	121,909
<b>Total General Revenues</b>	<b>37,443,392</b>	<b>33,568,318</b>	<b>34,125,360</b>	<b>36,924,888</b>	<b>38,940,104</b>
<b>Change in Net Position Governmental Activities</b>	<b>\$ 656,801</b>	<b>\$ 89,700</b>	<b>\$ (98,575)</b>	<b>\$ 1,721,914</b>	<b>\$ 15,155,221</b>
<b>Business Activities</b>					
<b>Expenses - Support Services</b>	1,492,539	1,446,580	1,975,473	2,362,466	4,830,962
<b>Revenues - Charges for Services</b>	1,988,903	2,428,178	2,320,934	2,088,802	6,746,682
<b>Change in Net Position Business Activities</b>	<b>\$ 496,364</b>	<b>\$ 981,598</b>	<b>\$ 345,461</b>	<b>\$ (273,664)</b>	<b>\$ 1,915,720</b>
<b>Total Change in Net Position</b>	<b>\$ 1,153,165</b>	<b>\$ 1,071,298</b>	<b>\$ 246,886</b>	<b>\$ 1,448,250</b>	<b>\$ 17,070,941</b>

Source: Statement of Activities Northwest Regional ESD

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES - Continued  
Last Ten Fiscal Years  
(accrual basis of accounting)

Governmental Activities	Fiscal Years				
	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Expenses</b>					
Instruction	\$ 44,825,008	\$ 37,274,240	\$ 37,864,732	\$ 41,873,604	\$ 45,333,537
Support services	64,729,187	64,551,436	65,108,713	71,375,987	72,659,636
Community services	701,111	1,939,873	1,568,636	2,518,433	2,204,578
Interest on long-term debt	248,914	216,756	84,440	182,877	156,940
<b>Total Expenses</b>	<u>110,504,220</u>	<u>103,982,305</u>	<u>104,626,521</u>	<u>115,950,901</u>	<u>120,354,691</u>
<b>Program Revenues</b>					
Charges for services					
Instruction	17,660,248	18,114,578	19,567,245	21,872,171	23,590,071
Support services	7,913,009	8,843,769	5,330,516	8,954,399	5,692,603
Community services	-	-	-	-	-
Operating grants and contributions					
Instruction	23,543,815	28,481,665	29,640,082	31,136,217	34,935,491
Support services	650,855	667,635	929,866	1,146,575	1,369,469
Community services	102,694	100,946	82,977	107,648	106,818
<b>Total Program Revenues</b>	<u>49,870,621</u>	<u>56,208,593</u>	<u>55,550,686</u>	<u>63,217,010</u>	<u>65,694,452</u>
<b>Net (Expenses)</b>	(60,633,599)	(47,773,712)	(49,075,835)	(52,733,891)	(54,660,239)
<b>General Revenues</b>					
Property taxes, levied for general purposes	10,615,752	11,021,073	11,507,748	11,944,629	12,559,594
Federal aid not restricted to specific purposes	-	-	-	-	-
Timber revenue	550,070	534,034	593,795	546,449	444,751
State school fund for general support	29,983,504	30,571,838	33,448,065	33,505,792	36,252,194
Interest and investment earnings	164,391	280,420	412,219	638,908	426,026
<b>Total General Revenues</b>	<u>41,313,717</u>	<u>42,407,365</u>	<u>45,961,827</u>	<u>46,635,778</u>	<u>49,682,565</u>
<b>Change in Net Position Governmental Activities</b>	<u>\$ (19,319,882)</u>	<u>\$ (5,366,347)</u>	<u>\$ (3,114,008)</u>	<u>\$ (6,098,113)</u>	<u>\$ (4,977,674)</u>
<b>Business Activities</b>					
<b>Expenses - Support Services</b>	7,729,595	6,926,950	6,360,392	7,369,087	8,779,181
<b>Revenues - Charges for Services</b>	<u>5,159,084</u>	<u>6,997,328</u>	<u>7,372,245</u>	<u>7,189,483</u>	<u>6,776,210</u>
<b>Change in Net Position Business Activities</b>	<u>\$ (2,570,511)</u>	<u>\$ 70,378</u>	<u>\$ 1,011,853</u>	<u>\$ (179,604)</u>	<u>\$ (2,002,971)</u>
<b>Total Change in Net Position</b>	<u>\$ (21,890,393)</u>	<u>\$ (5,295,969)</u>	<u>\$ (2,102,155)</u>	<u>\$ (6,277,717)</u>	<u>\$ (6,980,645)</u>

Source: Statement of Activities Northwest Regional ESD

\* The transits and transfer has been distributed to Instruction and Support Services functions.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

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	Fiscal Years				
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
<b>Fund Balances</b>					
Unassigned					
General fund	\$ 4,594,880	\$ 4,399,064	\$ 4,776,055	\$ 7,479,489	\$ 5,565,060
<b>All Other Governmental Funds, reported in</b>					
Restricted:					
Special Revenue Fund					
Grants, contracts and projects	4,911,636	4,701,103	4,551,205	3,536,356	5,621,114
Capital Projects	<u>594,043</u>	<u>353,540</u>	<u>353,540</u>	<u>403,540</u>	<u>453,540</u>
<b>Total Fund Balances</b>	<u>\$ 10,100,559</u>	<u>\$ 9,453,707</u>	<u>\$ 9,680,800</u>	<u>\$ 11,419,385</u>	<u>\$ 11,639,714</u>

Note: GASB 54 was implemented in fiscal year 2011.

Source: Northwest Regional ESD financial records

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

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

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	Fiscal Years				
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
<b>Fund Balances</b>					
Unassigned					
General fund	\$ 5,053,069	\$ 4,438,900	\$ 4,509,775	\$ 3,928,173	\$ 4,535,509
<b>All Other Governmental Funds, reported in</b>					
Restricted:					
Special Revenue Fund					
Grants, contracts and projects	8,186,894	7,781,177	6,637,453	2,186,131	2,036,936
Capital Projects	481,880	49,886	72,888	122,888	147,613
<b>Total Fund Balances</b>	<u>\$ 13,721,843</u>	<u>\$ 12,269,963</u>	<u>\$ 11,220,116</u>	<u>\$ 6,237,192</u>	<u>\$ 6,720,058</u>

Note: GASB 54 was implemented in fiscal year 2011.

Source: Northwest Regional ESD financial records

## NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT

Hillsboro, Oregon

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

	<b>Fiscal Years</b>				
	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
<b>Revenues</b>					
Property Taxes	\$ 8,907,445	\$ 9,069,061	\$ 9,255,442	\$ 9,622,759	\$ 10,046,129
Charges for services	23,669,053	24,321,663	23,438,312	25,085,295	25,648,076
Earnings from investments	47,375	65,893	99,102	117,380	121,909
Intermediate sources	10,400	-	3,527	-	-
State sources	42,105,965	38,162,361	40,180,919	43,803,242	46,314,693
Federal Sources	7,879,739	5,892,980	7,266,737	5,875,325	6,486,190
<b>Total Revenues</b>	<b>82,619,977</b>	<b>77,511,958</b>	<b>80,244,039</b>	<b>84,504,001</b>	<b>88,616,997</b>
<b>Expenditures</b>					
Current Operating					
Instruction	28,891,206	27,384,691	29,171,657	29,728,085	30,745,136
Support services	44,656,080	41,967,090	44,492,759	48,288,362	40,596,729
Community services	16,606	20,981	24,208	100,714	206,394
Building acquisition and improvement	317,757	35,937	-	-	-
Apportionment of funds	6,985,273	6,755,192	5,583,945	3,792,330	16,149,834
Capital outlay	3,286,618	1,336,539	89,537	198,910	39,635
Debt Service					
Principal	345,000	360,000	375,000	390,000	410,000
Interest	310,985	298,380	284,390	267,015	248,940
Bond issuance costs	-	-	-	-	-
<b>Total Expenditures</b>	<b>84,809,525</b>	<b>78,158,810</b>	<b>80,021,496</b>	<b>82,765,416</b>	<b>88,396,668</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,189,548)</b>	<b>(646,852)</b>	<b>222,543</b>	<b>1,738,585</b>	<b>220,329</b>
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	-	-	-	-	-
Sale of capital assets	-	-	4,550	-	-
Operating transfers in	3,307,992	3,302,926	2,928,605	2,926,480	1,312,906
Operating transfers out	(3,307,992)	(3,302,926)	(2,928,605)	(2,926,480)	(1,312,906)
Total other financing sources (uses)	-	-	4,550	-	-
<b>Net change in fund balances</b>	<b>\$ (2,189,548)</b>	<b>\$ (646,852)</b>	<b>\$ 227,093</b>	<b>\$ 1,738,585</b>	<b>\$ 220,329</b>
<b>Debt Services as a percentage of noncapital expenditures</b>	<b>0.80%</b>	<b>0.86%</b>	<b>0.82%</b>	<b>0.80%</b>	<b>0.75%</b>

Source: Northwest Regional ESD financial records

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS - Continued

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<b>Fiscal Years</b>				
	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>Revenues</b>					
Property Taxes	\$ 10,570,229	\$ 10,983,848	\$ 11,717,252	\$ 12,008,746	\$ 12,558,282
Charges for services	25,836,847	27,654,138	26,306,778	32,705,823	30,632,817
Earnings from investments	164,391	280,420	412,219	638,908	426,026
Intermediate sources	2,007	2,139	1,230	1,644	5,160
State sources	48,584,287	53,140,508	56,260,659	57,349,833	64,381,349
Federal Sources	5,981,054	6,517,680	7,023,879	7,211,951	7,372,071
<b>Total Revenues</b>	<b>91,138,815</b>	<b>98,578,733</b>	<b>101,722,017</b>	<b>109,916,905</b>	<b>115,375,705</b>
<b>Expenditures</b>					
Current Operating					
Instruction	30,623,200	33,963,440	36,096,559	40,705,662	40,806,278
Support services	40,057,200	57,407,399	61,570,834	64,384,199	67,277,352
Community services	426,006	1,909,285	1,543,686	2,498,772	2,119,105
Building acquisition and improvement	31,660	29,166	98,472	-	25,275
Apportionment of funds	16,956,384	5,478,583	2,327,765	6,437,536	3,883,450
Capital outlay	302,308	1,102,028	355,975	95,809	-
Debt Service					
Principal	430,000	583,863	606,647	628,846	656,218
Interest	229,928	206,049	171,926	149,005	125,161
Bond issuance costs	-	29,800	-	-	-
<b>Total Expenditures</b>	<b>89,056,686</b>	<b>100,709,613</b>	<b>102,771,864</b>	<b>114,899,829</b>	<b>114,892,839</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,082,129</b>	<b>(2,130,880)</b>	<b>(1,049,847)</b>	<b>(4,982,924)</b>	<b>482,866</b>
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	-	679,000	-	-	-
Sale of capital assets	-	-	-	-	-
Operating transfers in	2,060,203	1,904,951	2,825,245	3,175,393	2,553,539
Operating transfers out	(2,060,203)	(1,904,951)	(2,825,245)	(3,175,393)	(2,553,539)
Total other financing sources (uses)	-	679,000	-	-	-
<b>Net change in fund balances</b>	<b>\$ 2,082,129</b>	<b>\$ (1,451,880)</b>	<b>\$ (1,049,847)</b>	<b>\$ (4,982,924)</b>	<b>\$ 482,866</b>
<b>Debt Services as a percentage of noncapital expenditures</b>	<b>0.74%</b>	<b>0.79%</b>	<b>0.76%</b>	<b>0.68%</b>	<b>0.68%</b>

Source: Northwest Regional ESD financial records

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

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

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**Market Value**

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<b>Fiscal Year Ending</b>		<b>Manufactured</b>	<b>Personal</b>	
<b>June 30</b>	<b>Real Property</b>	<b>Property</b>	<b>Property</b>	<b>Public Utility</b>
2011	\$ 67,661,757,850	\$ 109,438,090	\$ 1,850,627,462	\$ 1,532,481,306
2012	64,695,011,778	102,282,740	1,876,179,972	1,588,335,300
2013	63,178,528,116	94,750,200	1,939,047,005	1,642,412,501
2014	71,092,444,170	93,100,240	2,065,489,040	1,698,870,768
2015	80,630,168,714	102,415,020	2,225,713,012	1,800,309,807
2016	86,522,025,559	124,145,430	2,392,098,055	1,909,199,612
2017	95,849,466,057	156,151,230	2,588,566,681	1,877,245,692
2018	107,074,452,648	173,142,260	2,975,486,177	2,013,572,822
2019	111,717,553,111	230,103,810	2,716,554,462	1,836,621,552
2020	115,226,945,931	262,433,250	2,883,649,045	1,853,150,322

Note:

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

Source: Washington County Department of Assessment and Taxation  
Summary of Assessment & Tax Roll

- Real Market Value, M5 Value, and Assessed Value
- Taxes Imposed by District and Category (Education)
- Detail of taxing District Levies

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

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

**Assessed Value (not including exempt property)**

<b>Total Market Value</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Amount tax rate will raise</b>	<b>Less: Reduction and Adjustments</b>	<b>Total Taxes Imposed (Net Levy)</b>
\$ 71,154,304,708	\$ 46,272,438,206	0.154	\$ 7,086,259	\$ (61,980)	\$ 7,024,279
68,261,809,790	47,693,751,723	0.154	7,302,850	(78,062)	7,224,788
66,854,737,822	48,797,570,492	0.154	7,471,119	(104,010)	7,367,845
74,949,904,218	50,608,860,179	0.154	7,739,549	(93,692)	7,645,857
84,758,606,553	53,515,861,950	0.154	8,086,123	(71,467)	8,014,656
90,947,468,656	56,910,892,240	0.154	8,607,421	(77,640)	8,529,781
100,471,429,660	58,797,355,521	0.154	8,958,239	(69,921)	8,888,318
112,236,653,907	62,340,647,387	0.154	9,378,807	(67,949)	9,310,858
116,500,832,935	64,974,312,732	0.154	9,753,896	(64,625)	9,689,271
120,226,178,548	68,032,356,127	0.154	10,187,652	(61,051)	10,126,601

Note:

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

Source: Washington County Department of Assessment and Taxation

Summary of Assessment & Tax Roll

- Real Market Value, M5 Value, and Assessed Value
- Taxes Imposed by District and Category (Education)
- Detail of taxing District Levies

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years

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Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 9,096,487	\$ 8,570,098	94.21	\$ 291,114	\$ 8,861,212	97.41
2012	9,347,245	8,857,914	94.76	203,823	9,061,737	96.95
2013	9,505,052	9,021,906	94.92	218,578	9,240,484	97.22
2014	9,824,737	9,288,574	94.54	270,715	9,559,289	97.30
2015	10,193,523	9,712,654	95.28	248,159	9,960,813	97.72
2016	10,615,752	10,277,626	96.81	201,385	10,479,011	98.71
2017	11,021,073	10,797,436	97.97	179,761	10,977,197	99.60
2018	11,858,440	11,309,827	95.37	169,552	11,479,379	96.80
2019	12,354,441	11,824,190	95.71	387,786	12,211,976	98.85
2020	12,908,172	12,355,742	95.72	175,599	12,531,341	97.08

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

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

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

<b>Taxpayer</b>	<b>2020</b>			<b>2011</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Ten Largest Taxpayers						
Intel Corporation	\$ 1,970,829,308	1	2.90%	\$ 1,086,959,550	1	2.35%
Nike, Inc	1,011,210,140	2	1.49%	431,605,315	3	0.93%
Portland General Electric	616,308,814	3	0.91%	390,952,730	4	0.84%
Pacific Realty Associates	405,106,164	4	0.60%	301,956,704	5	0.65%
Northwest Natural Gas Co	368,707,300	5	0.54%	282,171,220	6	0.61%
Genentech Inc	274,026,540	6	0.40%	231,546,750	7	0.50%
Comcast Corporation	254,049,000	7	0.37%	213,072,700	8	0.46%
Verizon Communications	241,357,000	8	0.35%			0.00%
NIKE IHM	216,673,430	9	0.32%			
LAM Research Corporation	190,462,687	10	0.28%			
Frontier Communications				371,640,200	2	0.80%
Maxim Integrated Products				137,021,824	9	0.30%
Tektronix, Inc				128,237,247	10	0.28%
Subtotal of Ten Largest Taxpayers	5,548,730,383		8.16%	3,575,164,240		7.72%
All Other Taxpayers	62,483,625,744		91.83%	42,697,273,966		92.28%
Total All Taxpayers	<u>\$ 68,032,356,127</u>		<u>99.99%</u>	<u>\$ 46,272,438,206</u>		<u>100.00%</u>

Note: Represents Washington County only. Multnomah and Yamhill County portions of the District comprise less than .02% of the District's assessed value.

Source: Washington County Department of Assessment and Taxation.

\* Formerly Verizon Northwest - purchase approved by FCC on May 2010

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

DEBT CAPACITY  
Last Ten Fiscal Years

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<b>Fiscal Year Ending June 30</b>	<b>Long Term Obligations</b>	<b>Unamortized Bond Discount</b>	<b>Total Taxable Assessed Value</b>	<b>Percentage of Actual Assessment Value</b>	<b>Percentage of Personal Income</b>
2011	\$ 6,405,000	\$ 260,588	\$ 46,272,438,206	0.014%	0.03%
2012	6,045,000	240,542	47,693,751,723	0.013%	0.02%
2013	5,670,000	220,497	48,797,570,492	0.012%	0.02%
2014	5,280,000	200,452	50,608,860,179	0.010%	0.02%
2015	4,870,000	180,411	53,515,861,950	0.009%	0.02%
2016	4,440,000	160,366	56,910,892,240	0.008%	0.01%
2017	4,535,137	147,135	58,797,355,521	0.008%	0.01%
2018	3,928,490	125,954	62,340,647,387	0.006%	0.01%
2019	3,299,644	104,773	64,974,312,732	0.005%	N/A*
2020	2,643,426	83,592	68,032,356,127	0.004%	N/A*

Source: ESD's Financial Records

\* Data unavailable for time period specified

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Calendar Years

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<u>Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate</u>
2011	539,469	\$ 23,076,865,413	\$ 42,777	8.9%
2012	547,543	24,308,719,028	44,396	8.7%
2013	554,996	24,839,955,972	44,757	7.9%
2014	562,998	23,206,777,560	41,220	6.9%
2015	574,326	29,812,688,334	51,909	5.7%
2016	582,779	31,588,370,137	54,203	5.0%
2017	588,957	33,765,493,767	57,331	3.7%
2018	597,695	36,442,061,845	60,971	3.8%
2019	601,592	N/A*	N/A*	3.5%
2020	N/A	N/A*	N/A*	11.6%

Notes:

1. United States Census Bureau for Washington County in its entirety.
2. U.S. Department of Commerce, Bureau of Economic Analysis

Source: Oregon Employment Department/Labor Market Information/qualityinfo.org

\* Data unavailable for time period specified

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

PRINCIPAL EMPLOYERS FOR THE PORTLAND METRO AREA  
2019 and Nine Years Prior

Employer	December 31, 2019			December 31, 2010		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
<b>Ten Largest Employers</b>						
Intel Corp	20,600	1	1.61%	15,228	1	1.44%
Providence Health System	18,885	2	1.48%	13,831	2	1.30%
Oregon Health & Science University	17,556	3	1.37%	13,283	3	1.25%
Nike Inc.	12,000	5	0.94%	6,000	8	0.57%
Legacy Health System	11,404	6	0.89%	8,250	6	0.78%
Kaiser Foundation Health Plan	11,243	4	0.88%	9,204	5	0.87%
Fred Meyer Stores	9,777	8	0.76%	9,630	4	0.91%
City of Portland	7,376	7	0.58%	5,000	10	0.47%
Portland Public Schools	6,500	9	0.51%	5,101	9	0.48%
Beaverton School District	5,458	10	0.43%			
Multnomah County				6,310	7	0.60%
<b>Subtotal of Ten Largest Employers</b>	<b>120,799</b>		<b>9.44%</b>	<b>91,837</b>		<b>8.66%</b>
<b>All Other Employers</b>	<b>1,158,559</b>		<b>90.56%</b>	<b>968,079</b>		<b>91.34%</b>
<b>Total Portland MSA Employment</b>	<b>1,279,358</b>		<b>100.00%</b>	<b>1,059,916</b>		<b>100.00%</b>

Source: Portland Business Journal of Lists and Oregon Employment Department Qualityinfo.org

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

LICENSED, CLASSIFIED AND ADMINISTRATIVE EMPLOYEES  
Last Ten Fiscal Years

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<b>Fiscal Year Ending June 30</b>	<b>Licensed</b>	<b>Classified</b>	<b>Administration</b>	<b>Total</b>
2011	201	262	42	505
2012	196	265	40	501
2013	201	258	44	503
2014	190	273	45	508
2015	202	255	44	501
2016	249	258	50	557
2017	247	241	50	538
2018	214	291	49	554
2019	231	322	55	608
2020	280	259	63	602

Source: Northwest Regional ESD payroll records.

**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**

Hillsboro, Oregon

SCHOOL DISTRICTS PARTICIPATION IN PROGRAMS AND SERVICES  
Last Ten Fiscal Years

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<u>Fiscal Year Ending June 30</u>	<u>Special Students Services</u>	<u>Instructional Services</u>	<u>Technology Services</u>	<u>Other Support Services</u>	<u>Total</u>
2011	\$ 15,323,082	\$ 160,960	\$ 1,364,513	\$ 298,930	\$ 17,147,485
2012	15,934,956	61,097	1,403,118	247,847	17,647,018
2013	16,411,652	3,925	1,218,037	351,803	17,985,417
2014	16,361,387	17,074	1,115,276	302,552	17,796,289
2015	15,311,250	815,899	1,056,450	228,350	17,411,949
2016	15,962,169	1,020,053	1,750,788	460,259	19,193,269
2017	15,870,878	1,960,014	2,202,770	283,648	20,317,310
2018	16,538,700	2,957,917	2,207,083	347,802	22,051,502
2019	18,780,387	2,793,215	2,337,300	512,059	24,422,961
2020	20,133,183	2,653,826	2,475,576	547,145	25,809,730

Source: Northwest Regional ESD Annual Reports



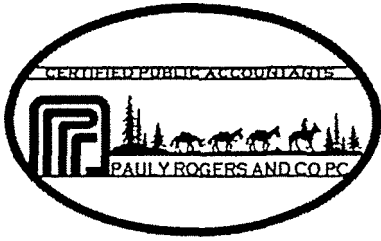
**SINGLE AUDIT SECTION**



**NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT**  
**HILLSBORO, OREGON**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

<u>Program Title</u>	<u>For the Year Ended June 30, 2020</u>			<u>Period Covered</u>	<u>Expenditures</u>	<u>Passed Through to Sub-Recipients</u>	
	<u>Pass Through Organization</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Number</u>				
<b>GRANT AWARDS:</b>							
<b>U.S. Department of Education</b>							
Title IC School Programs:							
Title IC - Migrant Education - State Grant Program	ODE	84.011	52523	03/15/2019-09/30/2019	\$ 131,097	\$ -	
Title IC - Migrant Education - State Grant Program	ODE	84.011	49215	07/01/2018-09/30/2019	164,804	-	
Title IC - Migrant Education - State Grant Program	ODE	84.011	53725	07/01/2019-09/30/2019	277,208	-	
Title IC - Migrant Education - State Grant Program	ODE	84.011	53740	07/01/2019-09/30/2020	11,330	-	
Title IC - Migrant Education - State Grant Program	ODE	84.011	54450	10/07/2019-11/30/2019	6,422	-	
Title IC - Migrant Education - State Grant Program	ODE	84.011	57318	03/14/2020-09/30/2020	58,640	-	
Total, Title IC - Migrant Education, CFDA 84.011					<u>649,501</u>	<u>-</u>	
Special Education Cluster:							
Special Education Grants to States	ODE	84.027	54719	07/01/2019-09/30/2020	269	-	
Special Education Grants to States	ODE	84.027	54746	07/01/2019-06/30/2021	98,212	-	
Special Education Grants to States	ODE	84.027	11117	07/01/2019-06/30/2021	1,992,050	-	
Special Education Grants to States	ODE	84.027	12301	07/01/2019-06/30/2021	55,900	-	
Special Education Grants to States	ODE	84.027	11048	07/01/2019-06/30/2021	2,440,522	-	
Total of Special Education Grants to States, CFDA 84.027					<u>4,586,953</u>	<u>-</u>	
Special Education Preschool Grants	ODE	84.173	54140	07/01/2019-06/30/2020	15,000	-	
Special Education Preschool Grants	ODE	84.173	11117	07/01/2019-06/30/2021	384,490	-	
Special Education Preschool Grants	ODE	84.173				-	
Total of Special Education Grants to States, CFDA 84.173					<u>399,490</u>	<u>-</u>	
<b>Total, Special Education Cluster</b>						<b><u>4,986,443</u></b>	<b><u>-</u></b>
Title I - Programs for Neglected and Delinquent Children	ODE	84.013	12301	07/01/2019-06/30/2021	112,600	-	
Total, Title I - Programs for Neglected and Delinquent Children, CFDA 84.013					<u>112,600</u>	<u>-</u>	
Special Education Grants for Infants and Families	ODE	84.181	11117	07/01/2019-06/30/2021	1,040,659	-	
Special Education Grants for Infants and Families	ODE	84.181	54982	07/01/2019-06/30/2020	1,200	-	
Total of Special Education Grants to States, CFDA 84.181					<u>1,041,859</u>	<u>-</u>	
Title III - English Language Acquisition	ODE	84.365	53445	07/01/2019-09/30/2020	32,995	-	
Total of Title III - English Language Acquisition, CFDA 84.365					<u>32,995</u>	<u>-</u>	
Education Stabilization Fund	ODE	84.425	58432	03/13/2020-09/30/2022	22,890	-	
Every Student Succeeds Act/Preschool Development Grants	ODE	93.434	55029	10/01/2019-01/31/2020	13,000	-	
Title IV-B2 - Promoting Safe and Stable Families	ODE	93.556	52604	07/01/2019-06/30/2021	16,575	-	
Child Care and Development Block Grant	ODE	93.575	52415	03/01/2019-09/30/2020	288,384	-	
Child Care and Development Block Grant	ODE	93.575	54249	10/01/2019-06/30/2021	14,560	-	
Total, Child Care and Development Block Grant CFDA 93.575					<u>302,944</u>	<u>-</u>	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	ODE	93.596	53711	07/01/2019-09/30/2019	44,856	-	
<b>Total, U.S. Department of Education</b>						<b><u>7,223,663</u></b>	<b><u>-</u></b>
<b>U.S. Department of Agriculture</b>							
Child Nutrition Cluster:							
School Breakfast Program	ODE	10.553	N/A	07/01/2019-06/30/2020	7,490	-	
School Breakfast Program CARES	ODE	10.553	N/A	07/01/2019-06/30/2020	473	-	
					<u>7,963</u>	<u>-</u>	
National School Lunch Program Commodities	ODE	10.555	N/A	07/01/2019-06/30/2020	13,287	-	
National School Lunch Program	ODE	10.555	N/A	07/01/2019-06/30/2020	19,248	-	
National School Lunch Program CARES	ODE	10.555	N/A	07/01/2019-06/30/2020	1,093	-	
Total of CNP National School Lunch Program, CFDA 10.555					<u>33,628</u>	<u>-</u>	
<b>Total, Child Nutrition Cluster</b>						<b><u>41,591</u></b>	<b><u>-</u></b>
<b>Total, U.S. Department of Agriculture</b>						<b><u>41,591</u></b>	<b><u>-</u></b>
<b>U.S. Department of the Interior</b>							
Youth Engagement, Education and Employment Program	USFW	15.676	H126A170054	09/01/2019-08/31/2020	106,817	-	
					<u>106,817</u>	<u>-</u>	
<b>Total, U.S. Department of the Interior</b>						<b><u>106,817</u></b>	<b><u>-</u></b>
<b>TOTAL, Federal Financial Assistance</b>					<b><u>\$ 7,372,071</u></b>	<b><u>\$ -</u></b>	



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October 8, 2020

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

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

We have audited, in accordance with the 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, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of North West Regional Education Service District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated October 8, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the basic financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

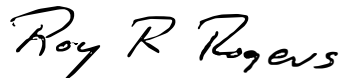
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.



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October 8, 2020

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**Report on Compliance for Each Major Federal Program**

We have audited Northwest Regional Education Service District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2020. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

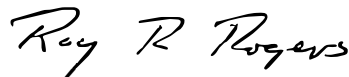
## Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT  
PORTLAND, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2020

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 515(d)(2) of the Uniform Guidance?  yes  no

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance?  yes  no

**IDENTIFICATION OF MAJOR PROGRAMS**

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM CLUSTER</u>
84.027, 84.173	IDEA
84.181	Special Education Grants for Infants and Families

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

NORTHWEST REGIONAL EDUCATION SERVICE DISTRICT  
PORTLAND, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2020

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

NONE

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL EXPENDITURES**

1. **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes federal grant activity under programs of the federal government. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the District.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has not elected to use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance, due to the fact that they already have a negotiated indirect cost rate with Oregon Department of Education, and thus is not allowed to use the de minimus rate.

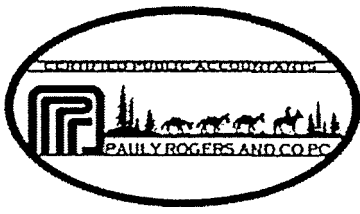


**Northwest Regional**  
Education Service District



## COMPLIANCE SECTION





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October 8, 2020

### Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Northwest Regional Education Service District (the District) as of and for the year ended June 30, 2020, and have issued our report thereon dated October 8, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

#### Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of the basic financial statements 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B; 279C).**
- **State school fund factors and calculation.**

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

This report is intended solely for the information and use of the Board of Directors and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*Roy R Rogers*  
ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.