

# Comprehensive Annual Financial Report



**HILLSBORO SCHOOL DISTRICT**  
Engage and challenge all learners to ensure academic excellence



**Hillsboro School District 1J**  
Administration Center  
3083 NE 49th Place  
Hillsboro, OR 97124  
[www.hsd.k12.or.us](http://www.hsd.k12.or.us)

For the fiscal year ended  
**June 30, 2019**

HILLSBORO SCHOOL DISTRICT #1J  
WASHINGTON COUNTY, OREGON  
3083 NE 49<sup>th</sup> Place  
Hillsboro, Oregon 97124

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**for the Fiscal Year Ended June 30, 2019**

*Prepared by the  
Business Office staff*

Michelle Morrison, Chief Financial Officer

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# HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

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Washington County, Oregon

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November 19, 2019

Board of Directors  
Hillsboro School District 1J  
Washington County  
3083 NE 49<sup>th</sup> Place  
Hillsboro, OR 97124

In accordance with the provisions of Oregon Revised Statutes, Sections 297.405 to 297.555 and 297.990, known as the Municipal Audit Law, there is submitted herewith the Comprehensive Annual Financial Report of Hillsboro School District 1J, Washington County, Oregon, for the fiscal year ended June 30, 2019.

This report was prepared by the School District Business Office. The responsibility for the completeness and fairness of the data presented and all accompanying disclosures rests with the School District.

To provide a reasonable basis for making these representations, the District's management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with Generally Accepted Accounting Principles in the United States of America. 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 and its data is complete and reliable in all material respects, includes all funds, account groups, and financial transactions, and is presented fairly to disclose the financial position, results of operations, and cash flows of the District at June 30, 2019, and for the year then ended.

Generally Accepted Accounting Principles require 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 the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

## THE DISTRICT

Hillsboro School District 1J was formed in July 1996 through the unification of a union high school district and its six feeder elementary school districts. This unification was accomplished under a plan developed and approved by each of the seven prior district governing bodies in response to a unification deadline mandated by Oregon State Statutes. The seven previously independent districts were Hillsboro Union High School District and the Farmington View, Groner, Hillsboro, North Plains, Reedville, and West Union Elementary School Districts.

The District, a fiscally independent entity, is organized with a seven-member elected Board of Directors and a Board-appointed budget committee. In 2018-19, management staff consisted of 1 superintendent, 2 assistant superintendents, 6 executive directors, 7 directors, 2 coordinators, 1 chief financial officer, 1 chief human resources officer, 1 capital projects officer, 1 chief communications officer, 1 chief operations officer, 1 chief information and technology officer, principals, and assistant-principals. The Board of Directors approves the hires of all management staff members.

The District also employs 1,156 teachers and 1,167 support staff, including instructional assistants, secretaries, clerks, bus drivers, cooks, custodians, maintenance workers, and various other professional and technical staff. The District operates 25 elementary schools, 4 middle schools, 4 high schools, 2 alternative schools, and 1 online school. The District also sponsors City View Charter School, but is not required to report as a component unit under GASB 61.

The District's Strategic Plan articulates the District's mission, goals, and focus areas as it strives to increase the achievement of all students. The 2016-21 Plan has a laser-like focus on maximizing the student experience and ensuring that students leave the system prepared for success in post-secondary endeavors and civic life. Goals are identified annually to move toward all students graduating with career-and college-readiness skills. Progress data is shared with the community annually in March. Program offerings include music, art, leadership, athletics, clubs, AVID, International Baccalaureate, STEM/STEAM, mentorships, internships, dual language, bilingual programs, special education and transition services, student transportation, nutrition services, dual credit, Advanced Placement, and much more.

The District is located approximately 18 miles west of Portland, Oregon. It includes most of the City of Hillsboro, all of the City of North Plains, a portion of the City of Cornelius, and surrounding unincorporated areas. The current estimated population is 139,448. The District encompasses more than 200 square miles, most of which are located in Washington County. Small portions of the District are located in Multnomah and Yamhill Counties.

The District has experienced steady enrollment growth over the past ten years. The table below shows that the number of students in the District has grown by 446, or an average of approximately 0.22 percent per year during the last decade. To project future growth, District leadership uses studies by conducted by Portland State University, Davis Demographics, regional partnership feedback and historical data.

| School Year | Average Daily Membership |
|-------------|--------------------------|
| 18-19       | 20,213                   |
| 17-18       | 20,204                   |
| 16-17       | 20,400                   |
| 15-16       | 20,566                   |
| 14-15       | 19,917                   |
| 13-14       | 19,911                   |
| 12-13       | 19,809                   |
| 11-12       | 19,850                   |
| 10-11       | 19,765                   |
| 09-10       | 19,767                   |

During this time, the District has had two major additions to its facilities. Series 2001 general obligation bonds financed the construction of two elementary schools and one high school; the purchase of additional land for future school facilities; and safety, security, and seismic upgrades to existing District facilities. The 2006 general obligation bonds financed the construction of four elementary schools and one middle school, as well as expanding and remodeling existing District facilities.

The community voted again in November 2017 to approve the sale of \$408 million in bonds for capital projects. These bonds are being issued in two separate sales in order to align the proceeds with the cash flow requirements of project expenditures as described in the ballot title. The 2017 Bond was defined as a “renewal” levy that replaced expiring debt service items without increasing the tax rate per thousand of assessed value to local constituents.

## ECONOMIC STATUS AND OUTLOOK

The Portland-Vancouver Primary Metropolitan Statistical Area (PMSA) comprises six counties: Multnomah, Washington, Clackamas, Yamhill, and Columbia in Oregon and Clark County in Washington. According to the Oregon State Employment Department, Multnomah and Washington counties together have nearly one-third of the State of Oregon’s population. Washington County’s three largest cities are Beaverton, Hillsboro, and Tigard.

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-Vancouver Primary Metropolitan Statistical Area (PMSA) with 20,000 employees.

The Oregon Employment Department report for June 2019 shows the PMSA unemployment rate at 3.9 percent. The September 2019 Oregon Economic and Revenue forecast, published by the Oregon

Office of Economic Analysis, projects total state general fund net revenues increasing by 11.3 percent in the 2017-2019 biennium from the 2017 session close, 1.5 percent in the 2019-2021 biennium, and .05 percent in the 2021-2023 biennium from the 2019 session close.

## **LONG-TERM FINANCIAL PLANNING**

The Hillsboro School District has emphasized a conservative long-term financial plan that stresses stability of the programs we provide to students and patrons. Stability is achieved through the following actions:

- Maintain adequate financial reserves to absorb economic downturns, state revenue-sharing cuts, and other revenue shortfalls.
- React swiftly and appropriately to economic downturns, state revenue-sharing cuts, and revenue shortfalls.
- Prudently use accumulated reserves when needed to provide stability of core programs and legally required activities.

The Board of Directors and the appointed budget committee have developed this Strategic Financial Plan. The Plan is also supported by the District's administrative team, which develops the proposed budget.

The District anticipates a significant increase in student enrollment over the next several years with the expansion of the Urban Growth Boundary (UGB) in South Hillsboro, Cornelius, and the South Cooper Mountain area. The District has purchased 90 acres in the South Hillsboro UGB expansion area for future school sites to accommodate this growth. The District also owns 40 acres in the Cornelius UGB expansion area on which to build if enrollment growth requires additional facilities. The District's Long-Range Planning Committee has been meeting for several years to plan for this growth. The Board of Directors appointed a Citizen's Bond Oversight Committee to monitor the \$408 million bond package approved by voters on the November 2017 ballot. The bond package will provide funds to build, replace, expand, upgrade and remodel schools in order to continue meeting and exceeding the needs of students throughout the District.

## **MISSION STATEMENT AND PRIORITIES**

In the spring of 2016, Hillsboro community schools, District staff, and the Board of Directors revised their five-year Strategic Plan, which is the District's blueprint for educational excellence. The Strategic Plan focuses on students' equitable experiences and outcomes, and includes five strategy areas:

- Instruction
  - High-quality curricular, co-curricular and extracurricular offerings
  - Highly qualified staff
- Learning Environments
  - Equitable, safe, and inclusive
  - Engaging and relevant
  - Clear pathways and multiple opportunities
- Leadership for Learning
  - Continuous improvement
  - Data-driven decision-making
- Organization
  - Fiscal responsibility, long-range planning
  - Effective communication and community involvement
  - Human resources management
- Governance
  - Commitment to quality and progress
  - Setting the conditions and providing resources for success

During the 2018-19 year, Hillsboro School District focused on maintaining financial stability within the District, while focusing staffing and resources to promote increased student achievement. This objective includes protecting the integrity of the District's programs against financial uncertainties, while adequately addressing student population growth within the District.

Oregon's school finance system involves a formula that pays for the average daily enrollment of students in various categories. The formula includes local property taxes and state payments as the principal sources of revenue. The State of Oregon depends on personal income tax to provide its share of this revenue. The Oregon legislature has appropriated \$8.2 billion for K-12 allocations for the 2017-2019 biennium.

## FINANCIAL INFORMATION

### **Accounting Policies:**

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they are "measurable" and "available." "Measurable" means the amount of the transaction can be determined; "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Interfund transactions and certain compensated absences, claims, and judgments, are recognized as expenditures because they will be liquidated with expendable financial resources.

The assets and liabilities of the agency funds are recorded on the modified accrual basis of accounting. The agency funds consist of the student body accounts controlled by each school, and the Deferred Compensation Plan controlled by the District.

The financial transactions for the proprietary fund type are recorded on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned, and expenses are recorded at the time liabilities are incurred.

The accrual and modified accrual basis of accounting, as utilized by Hillsboro School District 1J, are in accordance with Generally Accepted Accounting Principles.

#### **Internal Accounting Controls:**

The accounting system incorporates reasonable safeguards for the assets of the District and the reliability of the financial records. Internal controls are designed to provide an adequate safeguard of District assets, recognizing that the cost of controls should not exceed the benefits derived.

The management system recognizes the significance of internal controls that are incorporated in the accounting system. We believe that the internal accounting controls adequately safeguard the assets, and provide reasonable assurance of proper recording of all financial transactions.

#### **Budgetary Control:**

The District annually prepares a budget to control the fiscal operations for one year. Oregon Local Budget Law (ORS 294.305 to 294.565) requires the appointment of a budget committee to review and approve the budget. The budget committee consists of the seven members of the Board of Directors, and seven electors of the District who are appointed by the Board of Directors. The administration proposes a budget to the budget committee, and the budget committee may modify or approve the proposed budget.

Local Budget Law in Oregon requires the District to complete a formal process each fiscal year to set spending limit and levy taxes for District residents. This process begins with a proposed budget prepared by the Budget Officer. Notice of a Budget Committee Meeting is published and the budget document is made available at or before this meeting. The budget committee then conducts at least one public meeting for questions or comments and will continue to meet as needed until the budget and all revisions are approved. Notice of the Public Hearing, along with a summary of the approved budget is published and the governing body conducts a public hearing. Upon completion of public comment and deliberations, the District adopts the budget, enacts resolutions by June 30, and certifies the district's tax to the county assessor by July 15. Budget changes in expenditures of less than 10% of appropriation

categories (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, contingency, and transfers) are implemented by a Resolution passed by the School Board. Budget changes in expenditures of more than 10% of appropriation categories require a supplemental budget adoption. Exceptions to this would be transfers between appropriation categories and up to 15% of funds budgeted as contingency. The School Board receives reports on cash flow and budget monitoring monthly, as prepared by the CFO.

**Risk Management:**

The District's Workers' Compensation insurance is procured through a self-insured group program on a guaranteed cost basis. The premium is based on payroll and the District's Experience Modification Rate. It includes a built-in contribution discount. Property and Casualty insurance is currently in force at replacement value with a \$10,000 per loss deductible. Comprehensive, general, and automotive liability insurance provides a \$10,000,000 limit. Errors and Omissions coverage – sometimes called Professional Liability, is included. The District currently has primary earthquake coverage in the amount of \$10,000,000. Additionally, it has procured excess earthquake coverage of \$10,000,000 for a total amount of \$20,000,000 per earthquake occurrence.

**Independent Audit:**

The provisions of Oregon Revised Statutes, Section 297.405 to 297.555 and 297.990 (known as the "Municipal Audit Law"), require that an independent audit be made of all District funds and account groups within six months following the close of a fiscal year. The firm of Grove, Mueller & Swank, P.C., which was selected by the Board of Directors, completed its examination of the District's financial statements, and its opinion is included in the financial section of this report.

**Awards:**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Hillsboro School District 1J for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-fourth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a school district must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our 2019 CAFR continues to meet award requirements for the Certificate of Achievement for Excellence in Financial Reporting. We are submitting the report to the GFOA award program for review and determination of the report's eligibility for another certificate.

## ACKNOWLEDGMENTS

We wish to express our appreciation to the entire Business Office staff for their efforts and contributions to this Comprehensive Annual Financial Report. We would also like to thank the members of the Board of Directors for their continued support and dedication to the financial operations of the District.

Respectfully submitted,



Michael Scott  
Superintendent of Schools



Michelle Morrison  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Hillsboro School District 1J  
Oregon**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrell*

Executive Director/CEO

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**OFFICIALS OF THE DISTRICT**

**JUNE 30, 2019**

**BOARD OF DIRECTORS**

| <u>Position</u> | <u>Name</u>     | <u>Term Expiration</u> |
|-----------------|-----------------|------------------------|
| Position 1      | Erika Lopez     | June 30, 2021          |
| Position 2      | Mark Watson     | June 30, 2021          |
| Position 3      | Martin Granum   | June 30, 2021          |
| Position 4      | Kim Strelchun   | June 30, 2019          |
| Position 5      | Lisa Allen      | June 30, 2019          |
| Position 6      | Jaci Spross     | June 30, 2021          |
| Position 7      | Yadira Martinez | June 30, 2019          |

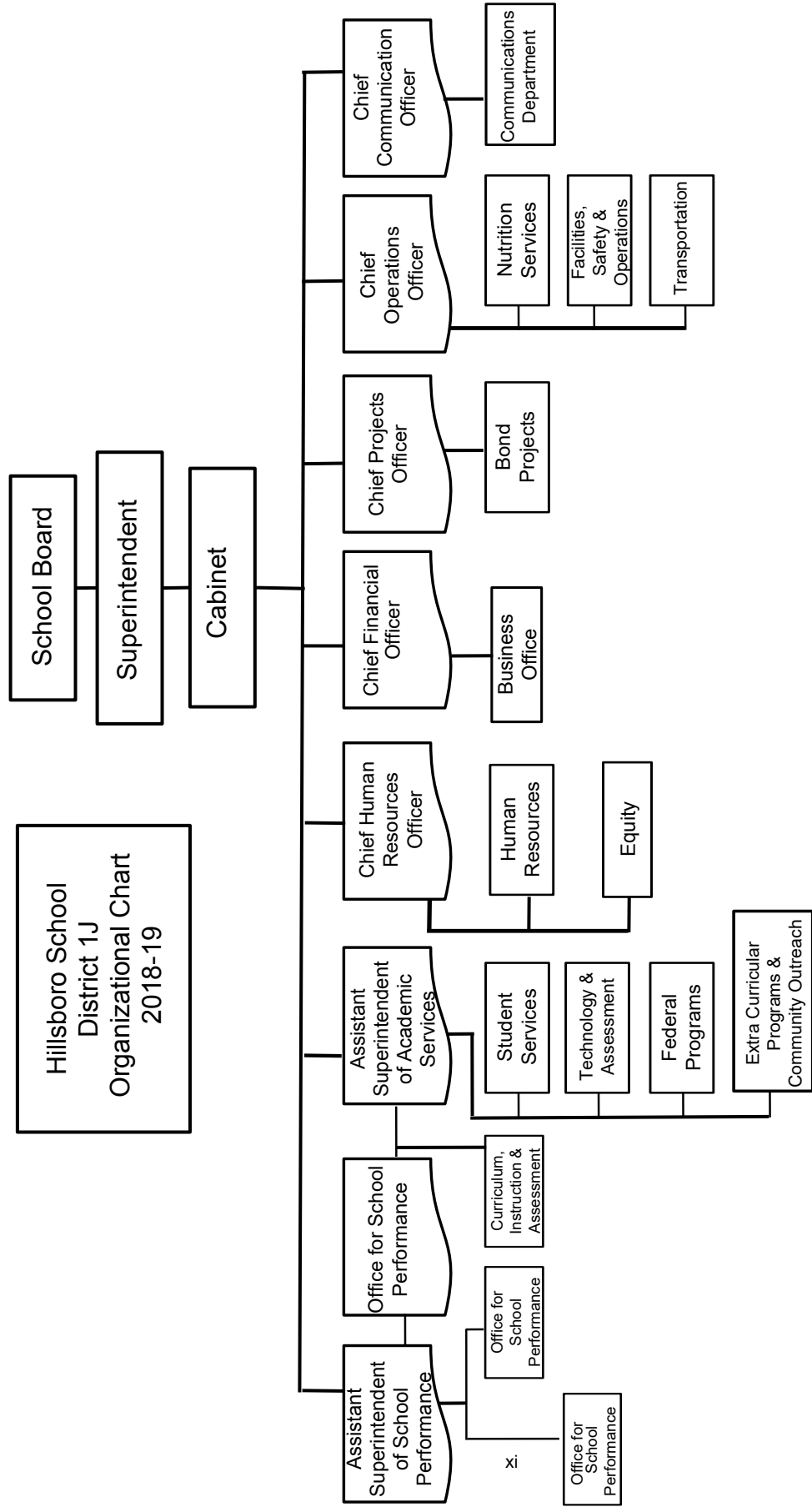
All Board members receive mail at the address below.

**DISTRICT ADMINISTRATION**

Mike Scott, Superintendent—Clerk  
Michelle Morrison, Chief Financial Officer—Deputy Clerk

**DISTRICT ADDRESS**

3083 NE 49<sup>th</sup> Place, #200  
Hillsboro, Oregon 97123



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## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT***

School Board  
Hillsboro School District 1J  
Hillsboro, Oregon

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Hillsboro School District 1J, Washington County, Oregon (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's 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 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.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the 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 District's 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hillsboro School District 1J, Washington County, Oregon as of June 30, 2019, and the respective changes in financial position 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 management's discussion and analysis (MD&A), and 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 information (except as mentioned in the following paragraph) because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information presented as required supplementary information, is the responsibility of management and was derived from and relates 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, other supplementary information, as listed in the table of contents, and statistical section, are presented for purposes of additional analysis and are not required parts 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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***

### ***Other Reporting Required by Government Auditing Standards***

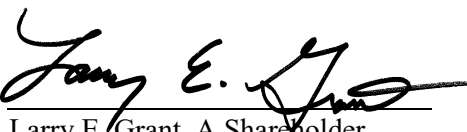
In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Other Reporting Required by Oregon Minimum Standards*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 19, 2019, on our consideration of the District's 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.

GROVE, MUELLER & SWANK, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

By:   
Larry E. Grant, A Shareholder  
November 19, 2019

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**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

As management of Hillsboro School District 1J (the District), we offer District readers this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found on page i of this report.

**1. FINANCIAL HIGHLIGHTS REVIEW**

- In the government-wide statements, the liabilities and deferred inflows exceeded the assets and deferred outflows of the District by \$97.1 million (net position). Of this amount, \$119.4 million represents the District's net investment in capital assets, \$7.1 million is restricted for special programs, \$2.0 million is restricted for debt service, and a (\$225.6) million unrestricted balance. The District's overall net position has decreased from the 2018 value by \$36.7 million.
- For the fiscal year ended June 30, 2019, the District's total current and other assets decreased by \$67.6 million. This was due to the spending of bond proceeds from the \$408 million capital project levy passed by voters in November 2017.
- The District's governmental funds show a combined ending fund balance of \$243.1 million, a decrease of \$83.3 million in comparison with the prior year. The decrease is primarily attributable to the use of bond proceeds for new construction and remodeling of existing buildings. At the end of the fiscal year, the fund balance for the General Fund was \$10.1 million, or about 4.6 percent of total General Fund expenditures.
- The District's total long-term debt decreased by \$13.2 million during the 2018-19 fiscal year, due to the net effect of debt service payments.

**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**2. 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 District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains supplementary information, in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

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

- **Statement of Net Position.** The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents an overview of what the District owns (assets and deferred outflows), what it owes (liabilities and deferred inflows), and the net difference (net position). Net position may be further separated into amounts restricted for specific purposes and unrestricted amounts. 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.
- **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).

In the government-wide financial statements, the District's activities are shown in one category as governmental activities. All of the District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund, and other intergovernmental revenues.

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

**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**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 Hillsboro School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be placed in one category: governmental funds.

**Governmental Funds**

The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities.

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

The basic governmental fund financial statements can be found on pages 23-26 of this report.

**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**2. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Notes to 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 27-67 of this report.

**Supplementary Information**

Schedules presenting detailed budgetary information for individual funds and other supplementary information can be found on pages 69-94 of this report.

**3. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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 exceeded assets and deferred outflows by \$97.1 million at June 30, 2019.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 51.0 percent and cash and investments represent about 46.6 percent of total assets. The remaining assets consist mainly of grants and property taxes receivable.

The District's largest liability (68.0 percent) is for the repayment of long-term obligations. Other liabilities, representing 32.0 percent of the District's total liabilities, consist of payables on accounts, salaries and benefits, and other accrued liabilities.

Most of the District's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students and other District residents. Consequently, capital assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (property taxes or general support funds), since the capital assets themselves cannot be used to liquidate these liabilities.

**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**3. GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

| <b>Hillsboro School District 1J<br/>Net Position<br/>(in thousands)</b> |                         |             |                        |
|-------------------------------------------------------------------------|-------------------------|-------------|------------------------|
|                                                                         | Governmental Activities |             | Increase<br>(Decrease) |
|                                                                         | 2019                    | 2018        |                        |
| Current and other assets                                                | \$ 281,912              | \$ 349,544  | \$ (67,632)            |
| Capital assets                                                          | 292,980                 | 242,707     | 50,273                 |
| Total assets                                                            | 574,892                 | 592,251     | (17,359)               |
| Deferred outflows of resources                                          | 90,831                  | 79,369      | 11,462                 |
| Total assets and deferred outflows                                      | 665,723                 | 671,620     | (5,897)                |
| Current and other liabilities                                           | 37,478                  | 27,841      | 9,637                  |
| Long-term obligations outstanding                                       | 710,696                 | 697,484     | 13,212                 |
| Total liabilities                                                       | 748,174                 | 725,325     | 22,849                 |
| Deferred inflows of resources                                           | 14,601                  | 6,622       | 7,979                  |
| Total liabilities and deferred inflows                                  | 762,775                 | 731,947     | 30,828                 |
| Net position:                                                           |                         |             |                        |
| Net investment in capital assets                                        | 119,425                 | 132,524     | (13,099)               |
| Restricted                                                              | 9,126                   | 7,932       | 1,194                  |
| Unrestricted                                                            | (225,603)               | (200,783)   | (24,820)               |
| Total net position                                                      | \$ (97,052)             | \$ (60,327) | \$ (36,725)            |

During the current fiscal year, the District's net position decreased by \$36.7 million, as more fully described in the following section.

**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**3. GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Governmental Activities**

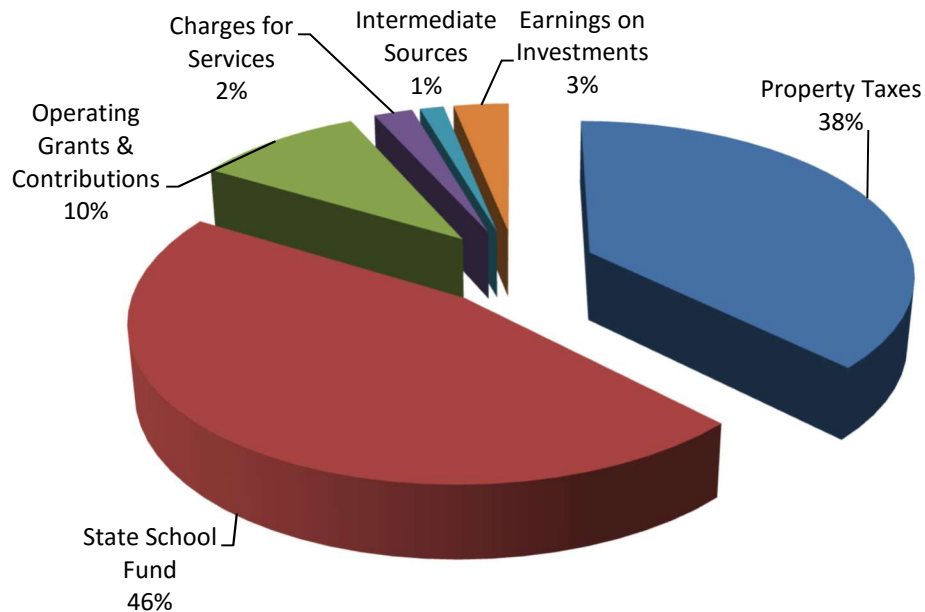
The key elements of the change in the District's net position for the year ended June 30, 2019, are as follows:

| <b>Hillsboro School District 1J<br/>Changes in Net Position<br/>(in thousands)</b> |                                 |                    |                        |
|------------------------------------------------------------------------------------|---------------------------------|--------------------|------------------------|
|                                                                                    | Governmental Activities<br>2019 | 2018               | Increase<br>(Decrease) |
| Revenues:                                                                          |                                 |                    |                        |
| Program revenues:                                                                  |                                 |                    |                        |
| Charges for services                                                               | \$ 6,510                        | \$ 5,994           | \$ 516                 |
| Operating grants and contributions                                                 | 28,125                          | 26,451             | 1,674                  |
| Capital grant and contributions                                                    | -                               | 300                | (300)                  |
| General revenues:                                                                  |                                 |                    |                        |
| Property taxes                                                                     | 108,718                         | 103,874            | 4,844                  |
| State school fund – general support                                                | 133,883                         | 134,002            | (119)                  |
| Unrestricted state and local sources                                               | 4,022                           | 3,899              | 123                    |
| Earnings on investments                                                            | 9,230                           | 1,588              | 7,642                  |
| Miscellaneous                                                                      | 1,296                           | 393                | 903                    |
| Total Revenues                                                                     | <u>291,784</u>                  | <u>276,501</u>     | <u>15,283</u>          |
| Expenses:                                                                          |                                 |                    |                        |
| Instruction                                                                        | 186,964                         | 162,863            | 24,101                 |
| Support services                                                                   | 109,178                         | 98,546             | 10,632                 |
| Enterprise and community services                                                  | 11,453                          | 10,288             | 1,165                  |
| Interest on long-term debt                                                         | 20,914                          | 15,801             | 5,113                  |
| Total Expenses                                                                     | <u>328,509</u>                  | <u>287,498</u>     | <u>41,011</u>          |
| Increase (Decrease) in net position                                                | (36,725)                        | (10,997)           | (25,728)               |
| Net position – July 1                                                              | (60,327)                        | (49,330)           | (10,997)               |
| Net position – June 30                                                             | <u>\$ (97,052)</u>              | <u>\$ (60,327)</u> | <u>\$ (36,725)</u>     |

**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**3. GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES**



- State School Fund revenue decreased \$0.1 million or 0.1 percent from 2017-18. This decrease was due primarily to the non-traditional State School Fund Funding appropriation of 50% for each year of the 2017-2019 biennium. It was anticipated that the level of State School Fund revenue would be somewhat flat in the second year. Traditional fund distribution is 49% in year one and 51% in year two in order to accommodate inflation.
- Property Taxes increased by \$4.8 million, reflecting an increase in Assessed Value within the District. A general increase in property values resulted in an overall increase to the District on a statewide basis.
- Operating Grants and Contributions increased by \$1.7 million from 2017-18. This increase was primarily due to the passing of measure 98 providing state funding for dropout prevention and career/college readiness programs in high schools.
- Earnings on Investments increased by \$7.6 million from 2017-18. This increase was due to interest yields on bond proceeds that have been invested in accordance with district policies DFA Investment of Funds and DFAA Investment Policy – Capital Project Fund.

**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**4. 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, an 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, 2019, the District's governmental funds reported combined ending fund balances of \$243.1 million, a decrease of \$83.3 million in comparison with the prior year. About \$7.9 million (3.2 percent) of the ending fund balance constitutes an unassigned ending fund balance.

About \$232.8 million (95.8 percent) is restricted for special programs, debt service obligations, and capital projects.

**General Fund**

The General Fund is the chief operating fund of the District. As of June 30, 2019, the total fund balance was \$10.1 million. As a measure of the fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. The fund balance represents 4.6 percent of total General Fund expenditures.

The fund balance decreased by \$3.7 million during the current fiscal year. This decrease was due primarily to a targeted reduction by 0.5 percent identified during the budget development period.

**Special Revenue Fund**

At June 30, 2019, the fund balance was \$7.1 million, which is a decrease of \$0.8 million from the prior year. This decrease was due to a reduction in carryover for nutrition services, various grants, and student body funds.

**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)**

**Governmental Funds (Continued)**

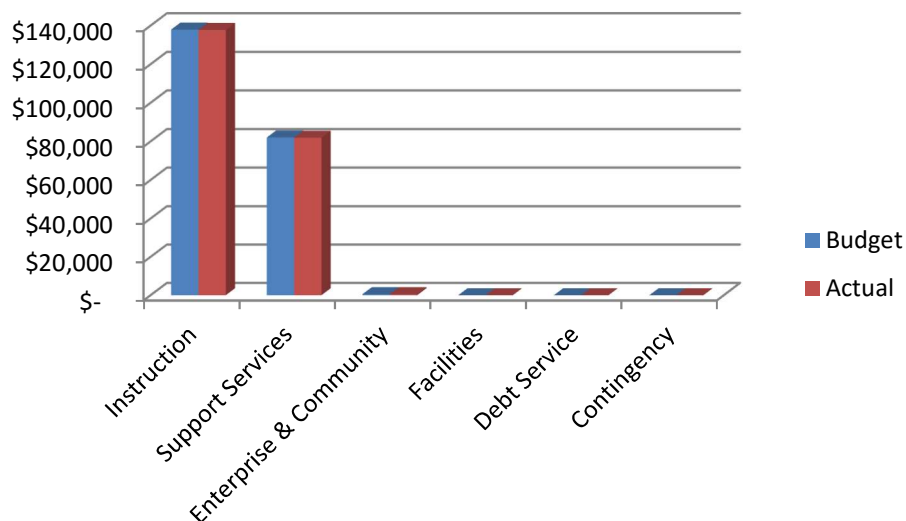
**Debt Service Fund**

The Debt Service Fund has a total fund balance of \$2.4 million, all of which is restricted for the payment of debt service. This represents a net decrease in the fund balance from the prior year of \$0.1 million. The \$2.4 million level of carryover is adequate to address debt service requirements until property taxes are received in November.

**Capital Projects Fund**

The Capital Projects Fund has a total fund balance of \$223.5 million, all of which is restricted for ongoing District capital projects and maintenance. This represents a net decrease in the fund balance during the year of \$78.6 million. The decrease is attributable to bond sale proceeds for new construction and remodeling of existing buildings per the ballot title.

**ACTUAL EXPENDITURES VS. FINAL BUDGET – GENERAL FUND  
(IN THOUSANDS)**



**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund adopted budget for the fiscal year ended June 30, 2019, was increased by \$4.1 million during the fiscal year by appropriation changes. During the year, expenditures were \$305,889 less than budgeted.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2019, the District had invested over \$292 million in capital assets, net of depreciation, as shown in the following table:

| <b>Hillsboro School District 1J</b> |                   |                   |                        |
|-------------------------------------|-------------------|-------------------|------------------------|
| <b>Capital Assets</b>               |                   |                   |                        |
| <b>(in thousands)</b>               |                   |                   |                        |
| Governmental Activities             |                   |                   |                        |
|                                     | 2019              | 2018              | Increase<br>(Decrease) |
| Land                                | \$ 39,437         | \$ 39,437         | \$ -                   |
| Construction in progress            | 34,835            | 1,997             | 32,838                 |
| Buildings and improvements          | 204,822           | 186,563           | 18,259                 |
| Vehicles and equipment              | 13,885            | 14,710            | (825)                  |
| Total                               | <u>\$ 292,979</u> | <u>\$ 242,707</u> | <u>\$ 50,272</u>       |

During the year, the District's investment in capital assets increased by \$50.3 million. This increase is due to investment in facility improvements, vehicles, and equipment in the current year.

Additional information regarding the District's capital assets can be found on pages 39-40 of this report.

**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**6. CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

**Long-Term Debt**

At the end of the current fiscal year, the District had total long-term debt outstanding of \$508.6 million, consisting of general obligation bonds, certificate of participation notes, capital leases, qualified energy conservation bonds and PERS pension bonds, net of unamortized premium/discount.

**Hillsboro School District 1J  
Outstanding Debt  
(in thousands)**

|                                              | Governmental Activities |                   | Increase/<br>(Decrease) |
|----------------------------------------------|-------------------------|-------------------|-------------------------|
|                                              | 2019                    | 2018              |                         |
| General obligation bonds and related premium | \$ 391,470              | \$ 405,480        | \$ (14,010)             |
| Pension obligation bonds                     | 111,495                 | 117,570           | (6,075)                 |
| Certificates of participation                | 510                     | 1,000             | (490)                   |
| Qualified energy conservation bond           | 2,586                   | 3,000             | (414)                   |
| Capital leases                               | 2,524                   | 2,863             | (339)                   |
|                                              | <u>\$ 508,585</u>       | <u>\$ 529,913</u> | <u>\$ (21,328)</u>      |

The District maintains an "Aa3" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a school district may issue up to 7.95 percent of its total assessed valuation. The current debt limit for the District is \$2.770 billion, which is significantly in excess of the District's outstanding general obligation debt of \$343.8 million, excluding unamortized premiums.

Additional information on the District's long-term debt can be found in Note 6 on page 41-44 of this report.

**HILLSBORO SCHOOL DISTRICT 1J  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The most significant economic factor for the District is the stability of the funding level from the State of Oregon's State School Fund. For the year ended June 30, 2019, the State School Fund – General Support provided 46.1 percent of the District's program resources. The state is funded almost entirely by income tax revenue, and therefore, the volatility of the economy directly impacts funding for K-12 education.

The defined benefit structure and imbalance of resources of the Public Employees Retirement System (PERS) resulted in a large unfunded liability, which was transferred to districts in the form of higher employer rates. In an effort to curtail the escalating cost, the District participated in the purchase of pension bonds that spread the liability through 2028, and increased the long-term debt of the District in 2005 and again in 2015.

Prior agreements with Hillsboro Classified Union (HCU) and Hillsboro Education Associations expired June 30, 2018. The District was bargaining with both groups well into the year and provided "status quo" work agreements until new ones were ratified. Both groups settled mid-year for agreements through June 30, 2021, and staff receiving retroactive compensation to the beginning of the year and were adjusted for the new salary and benefit levels.

**8. 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 3083 NE 49<sup>th</sup> Place #104, Hillsboro, OR 97124.

**HILLSBORO SCHOOL DISTRICT 1J**  
**Washington County, Oregon**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**HILLSBORO SCHOOL DISTRICT 1J**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

**ASSETS:**

|                                                    |                    |
|----------------------------------------------------|--------------------|
| Cash and investments                               | \$ 268,135,877     |
| Receivables                                        | 10,738,927         |
| Supply inventory                                   | 309,153            |
| Prepaid expenses                                   | 1,377,395          |
| OPEB asset                                         | 1,350,607          |
| Capital assets:                                    |                    |
| Not being depreciated                              | 74,272,251         |
| Being depreciated, net of accumulated depreciation | 218,707,298        |
| <b>Total assets</b>                                | <u>574,891,508</u> |

**DEFERRED OUTFLOWS OF RESOURCES:**

|                                                        |                    |
|--------------------------------------------------------|--------------------|
| PERS deferred outflows                                 | 87,770,207         |
| OPEB deferred outflows                                 | 3,060,880          |
| <b>Total deferred outflows of resources</b>            | <u>90,831,087</u>  |
| <b>Total assets and deferred outflows of resources</b> | <u>665,722,595</u> |

**LIABILITIES:**

|                                                          |                    |
|----------------------------------------------------------|--------------------|
| Accounts payable                                         | 21,214,730         |
| Accrued payroll, payroll taxes and employee withholdings | 12,754,637         |
| Accrued interest payable                                 | 747,110            |
| Construction retainage                                   | 1,420,284          |
| Unearned revenue                                         | 847,224            |
| Accrued compensated absences payable:                    |                    |
| Due within one year                                      | 370,082            |
| Due in more than one year                                | 123,360            |
| Long-term debt:                                          |                    |
| Due within one year                                      | 29,049,155         |
| Due in more than one year                                | 479,535,888        |
| Noncurrent liabilities due in more than one year:        |                    |
| PERS pension liability                                   | 188,690,265        |
| OPEB liability                                           | 13,421,130         |
| <b>Total liabilities</b>                                 | <u>748,173,865</u> |

**DEFERRED INFLOWS OF RESOURCES:**

|                                                            |                    |
|------------------------------------------------------------|--------------------|
| PERS deferred inflows                                      | 14,220,699         |
| OPEB deferred inflows                                      | 380,536            |
| <b>Total deferred inflows of resources</b>                 | <u>14,601,235</u>  |
| <b>Total liabilities and deferred inflows of resources</b> | <u>762,775,100</u> |

**NET POSITION:**

|                                  |                        |
|----------------------------------|------------------------|
| Net investment in capital assets | 119,425,365            |
| Restricted for:                  |                        |
| Special programs                 | 7,098,095              |
| Debt service                     | 2,027,936              |
| Unrestricted                     | (225,603,901)          |
| <b>Total net position</b>        | <u>\$ (97,052,505)</u> |

The accompanying notes are an integral part of this statement.

**HILLSBORO SCHOOL DISTRICT 1J**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

| FUNCTION                             | EXPENSES              | PROGRAM REVENUES        |                                          | NET (EXPENSE)<br>REVENUE AND<br>CHANGES IN<br>NET POSITION |
|--------------------------------------|-----------------------|-------------------------|------------------------------------------|------------------------------------------------------------|
|                                      |                       | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS |                                                            |
| Instruction                          | \$ 186,964,257        | \$ 4,172,060            | \$ 12,091,201                            | \$ (170,700,996)                                           |
| Support services                     | 109,178,393           | 291,027                 | 7,383,616                                | (101,503,750)                                              |
| Enterprise and community services    | 11,452,926            | 2,046,648               | 6,598,480                                | (2,807,798)                                                |
| Interest on long-term debt           | 20,914,030            | -                       | 2,051,297                                | (18,862,733)                                               |
| <b>Total Governmental Activities</b> | <u>\$ 328,509,606</u> | <u>\$ 6,509,735</u>     | <u>\$ 28,124,594</u>                     | <u>(293,875,277)</u>                                       |
| GENERAL REVENUES:                    |                       |                         |                                          |                                                            |
|                                      |                       |                         |                                          | 75,019,638                                                 |
|                                      |                       |                         |                                          | 33,697,947                                                 |
|                                      |                       |                         |                                          | 133,882,639                                                |
|                                      |                       |                         |                                          | 4,022,484                                                  |
|                                      |                       |                         |                                          | 9,229,868                                                  |
|                                      |                       |                         |                                          | 1,297,474                                                  |
|                                      |                       |                         |                                          | <u>257,150,050</u>                                         |
|                                      |                       |                         |                                          |                                                            |
|                                      |                       |                         |                                          | (36,725,227)                                               |
|                                      |                       |                         |                                          |                                                            |
|                                      |                       |                         |                                          | (60,327,278)                                               |
|                                      |                       |                         |                                          |                                                            |
|                                      |                       |                         |                                          | <u>\$ (97,052,505)</u>                                     |

The accompanying notes are an integral part of this statement.

**HILLSBORO SCHOOL DISTRICT 1J**  
**Washington County, Oregon**  
**FUND FINANCIAL STATEMENTS**

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**HILLSBORO SCHOOL DISTRICT 1J**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

|                                                                                    | <b>General<br/>Fund</b> | <b>Special<br/>Revenue<br/>Fund</b> | <b>Debt<br/>Service<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Total</b>          |
|------------------------------------------------------------------------------------|-------------------------|-------------------------------------|----------------------------------|--------------------------------------|-----------------------|
| <b>ASSETS</b>                                                                      |                         |                                     |                                  |                                      |                       |
| Cash and investments                                                               | \$ 19,510,984           | \$ 1,350,832                        | \$ 2,217,303                     | \$ 245,056,758                       | \$ 268,135,877        |
| Receivables                                                                        | 3,695,533               | 6,485,651                           | 557,743                          | -                                    | 10,738,927            |
| Inventory                                                                          | 83,417                  | 225,736                             | -                                | -                                    | 309,153               |
| Prepaid items                                                                      | 1,377,395               | -                                   | -                                | -                                    | 1,377,395             |
| <b>TOTAL ASSETS</b>                                                                | <u>\$ 24,667,329</u>    | <u>\$ 8,062,219</u>                 | <u>\$ 2,775,046</u>              | <u>\$ 245,056,758</u>                | <u>\$ 280,561,352</u> |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>            |                         |                                     |                                  |                                      |                       |
| <b>LIABILITIES:</b>                                                                |                         |                                     |                                  |                                      |                       |
| Accounts payable                                                                   | \$ 1,004,851            | \$ 104,585                          | \$ -                             | \$ 20,105,294                        | \$ 21,214,730         |
| Accrued payroll, payroll taxes and<br>employee withholdings                        | 12,747,001              | 7,636                               | -                                | -                                    | 12,754,637            |
| Construction retainage                                                             | -                       | 4,679                               | -                                | 1,415,605                            | 1,420,284             |
| Unearned revenue                                                                   | -                       | 847,224                             | -                                | -                                    | 847,224               |
| <b>TOTAL LIABILITIES</b>                                                           | <u>13,751,852</u>       | <u>964,124</u>                      | <u>-</u>                         | <u>21,520,899</u>                    | <u>36,236,875</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                              |                         |                                     |                                  |                                      |                       |
| Unavailable revenue - property taxes                                               | 824,935                 | -                                   | 374,756                          | -                                    | 1,199,691             |
| <b>FUND BALANCES:</b>                                                              |                         |                                     |                                  |                                      |                       |
| Nonspendable                                                                       |                         |                                     |                                  |                                      |                       |
| Inventory                                                                          | 83,417                  | 225,736                             | -                                | -                                    | 309,153               |
| Prepaid items                                                                      | 1,377,395               | -                                   | -                                | -                                    | 1,377,395             |
| Restricted for:                                                                    |                         |                                     |                                  |                                      |                       |
| Special Programs                                                                   | -                       | 6,872,359                           | -                                | -                                    | 6,872,359             |
| Debt Services                                                                      | -                       | -                                   | 2,400,290                        | -                                    | 2,400,290             |
| Capital Projects                                                                   | -                       | -                                   | -                                | 223,535,859                          | 223,535,859           |
| Assigned for:                                                                      |                         |                                     |                                  |                                      |                       |
| School carryover                                                                   | 743,421                 | -                                   | -                                | -                                    | 743,421               |
| Unassigned                                                                         | 7,886,309               | -                                   | -                                | -                                    | 7,886,309             |
| <b>TOTAL FUND BALANCES</b>                                                         | <u>10,090,542</u>       | <u>7,098,095</u>                    | <u>2,400,290</u>                 | <u>223,535,859</u>                   | <u>243,124,786</u>    |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES, AND<br/>FUND BALANCES</b> | <u>\$ 24,667,329</u>    | <u>\$ 8,062,219</u>                 | <u>\$ 2,775,046</u>              | <u>\$ 245,056,758</u>                | <u>\$ 280,561,352</u> |

The accompanying notes are an integral part of this statement.

**HILLSBORO SCHOOL DISTRICT 1J**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

|                                                                                                                                                                                                                                                             |                |                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------|
| <b>TOTAL FUND BALANCES</b>                                                                                                                                                                                                                                  |                | \$ 243,124,786         |
| Capital assets are not financial resources and therefore are not reported in the governmental funds:                                                                                                                                                        |                |                        |
| Capital assets                                                                                                                                                                                                                                              | \$ 478,358,825 |                        |
| Accumulated depreciation                                                                                                                                                                                                                                    | (185,379,276)  |                        |
|                                                                                                                                                                                                                                                             |                | 292,979,549            |
| A portion of the District's revenues 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.                                         |                | 1,199,691              |
| Compensated absences are reported when earned as both a current and long-term liability in the Statement of Net Position, while in the governmental funds only the portion that requires the use of current financial resources is reported as a liability. |                | (493,442)              |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.                                                                                                                                       |                | (747,110)              |
| Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds but, rather, is recognized as an expenditure when due.                         |                |                        |
| These liabilities consist of:                                                                                                                                                                                                                               |                |                        |
| Bonds payable (including premium)                                                                                                                                                                                                                           | (391,470,386)  |                        |
| Certificates of participation payable (net of discount)                                                                                                                                                                                                     | (510,000)      |                        |
| Capital leases payable                                                                                                                                                                                                                                      | (2,523,294)    |                        |
| Qualified Energy Conservation Bond                                                                                                                                                                                                                          | (2,586,363)    |                        |
| PERS pension bonds payable                                                                                                                                                                                                                                  | (111,495,000)  |                        |
|                                                                                                                                                                                                                                                             |                | (508,585,043)          |
| Long-term pension assets/liabilities not payable in the current year are not reported as governmental fund liabilities. Actuarial changes create deferred outflows and inflows of resources. These consist of:                                              |                |                        |
| PERS pension liability                                                                                                                                                                                                                                      | (188,690,265)  |                        |
| PERS deferred outflow of resources                                                                                                                                                                                                                          | 87,770,207     |                        |
| PERS deferred inflow of resources                                                                                                                                                                                                                           | (14,220,699)   |                        |
|                                                                                                                                                                                                                                                             |                | (115,140,757)          |
| Long-term Net OPEB assets/liabilities not payable in the current year are not reported as governmental fund liabilities. Actuarial changes create deferred outflows and inflows of resources. These consist of:                                             |                |                        |
| OPEB asset                                                                                                                                                                                                                                                  | 1,350,607      |                        |
| OPEB liability                                                                                                                                                                                                                                              | (13,421,130)   |                        |
| OPEB deferred outflow of resources                                                                                                                                                                                                                          | 3,060,880      |                        |
| OPEB deferred inflow of resources                                                                                                                                                                                                                           | (380,536)      |                        |
|                                                                                                                                                                                                                                                             |                | (9,390,179)            |
| <b>TOTAL NET POSITION</b>                                                                                                                                                                                                                                   |                | <b>\$ (97,052,505)</b> |

The accompanying notes are an integral part of this statement.

**HILLSBORO SCHOOL DISTRICT 1J**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                                          | General<br>Fund      | Special<br>Revenue<br>Fund | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total                 |
|----------------------------------------------------------|----------------------|----------------------------|-------------------------|-----------------------------|-----------------------|
| <b>REVENUES:</b>                                         |                      |                            |                         |                             |                       |
| Local sources:                                           |                      |                            |                         |                             |                       |
| Property taxes                                           | \$ 76,145,402        | \$ -                       | \$ 34,209,365           | \$ -                        | \$ 110,354,767        |
| Charges for services                                     | 745,378              | 5,760,666                  | -                       | -                           | 6,506,044             |
| Interest on investments                                  | 1,182,493            | -                          | 283,562                 | 7,763,813                   | 9,229,868             |
| Contributions and donations                              | -                    | 921,097                    | -                       | -                           | 921,097               |
| Services provided to other funds                         | -                    | -                          | 11,383,708              | -                           | 11,383,708            |
| Other                                                    | 467,374              | 2,510,753                  | 1,211                   | 763,973                     | 3,743,311             |
| Intermediate sources                                     | 4,022,484            | 1,531,643                  | -                       | -                           | 5,554,127             |
| State sources                                            | 133,882,639          | 6,327,783                  | -                       | -                           | 140,210,422           |
| Federal sources                                          | -                    | 17,307,183                 | -                       | -                           | 17,307,183            |
| <b>Total Revenues</b>                                    | <u>216,445,770</u>   | <u>34,359,125</u>          | <u>45,877,846</u>       | <u>8,527,786</u>            | <u>305,210,527</u>    |
| <b>EXPENDITURES:</b>                                     |                      |                            |                         |                             |                       |
| Current:                                                 |                      |                            |                         |                             |                       |
| Instruction                                              | 137,704,878          | 14,140,685                 | -                       | -                           | 151,845,563           |
| Support services                                         | 81,817,442           | 7,960,753                  | -                       | 104,912                     | 89,883,107            |
| Enterprise and community services                        | 543,536              | 9,169,023                  | -                       | -                           | 9,712,559             |
| Facilities acquisition and construction                  | -                    | -                          | -                       | 26,349,203                  | 26,349,203            |
| Debt service:                                            |                      |                            |                         |                             |                       |
| Principal                                                | -                    | 2,328,089                  | 17,505,000              | -                           | 19,833,089            |
| Interest                                                 | -                    | 190,606                    | 28,509,746              | -                           | 28,700,352            |
| Capital outlay                                           | 128,003              | 2,504,561                  | -                       | 60,697,872                  | 63,330,436            |
| <b>Total Expenditures</b>                                | <u>220,193,859</u>   | <u>36,293,717</u>          | <u>46,014,746</u>       | <u>87,151,987</u>           | <u>389,654,309</u>    |
| <b>Excess (deficiency) of revenues over expenditures</b> | (3,748,089)          | (1,934,592)                | (136,900)               | (78,624,201)                | (84,443,782)          |
| <b>OTHER FINANCING SOURCES (USES):</b>                   |                      |                            |                         |                             |                       |
| Issuance of debt                                         | -                    | 1,084,810                  | -                       | -                           | 1,084,810             |
| Sale or compensation for loss of capital assets          | 42,832               | 15,449                     | -                       | -                           | 58,281                |
| <b>Total Other Financing Sources (Uses)</b>              | <u>42,832</u>        | <u>1,100,259</u>           | <u>-</u>                | <u>-</u>                    | <u>1,143,091</u>      |
| <b>NET CHANGE IN FUND BALANCES</b>                       | (3,705,257)          | (834,333)                  | (136,900)               | (78,624,201)                | (83,300,691)          |
| <b>FUND BALANCES,</b><br>July 1, 2018                    | <u>13,795,799</u>    | <u>7,932,428</u>           | <u>2,537,190</u>        | <u>302,160,060</u>          | <u>326,425,477</u>    |
| <b>FUND BALANCES,</b><br>June 30, 2019                   | <u>\$ 10,090,542</u> | <u>\$ 7,098,095</u>        | <u>\$ 2,400,290</u>     | <u>\$ 223,535,859</u>       | <u>\$ 243,124,786</u> |

The accompanying notes are an integral part of this statement.

**HILLSBORO SCHOOL DISTRICT 1J**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                                                                                                                                                                                                                                                     |                     |                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------|
| <b>NET CHANGES IN FUND BALANCES</b>                                                                                                                                                                                                                                 |                     | \$ (83,300,691)               |
| Amounts reported for governmental activities in the Statement of Activities are different because:                                                                                                                                                                  |                     |                               |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities most of the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.                                             |                     |                               |
| Expenditures for capital assets                                                                                                                                                                                                                                     | \$ 60,984,598       |                               |
| Less current year depreciation expense                                                                                                                                                                                                                              | <u>(10,711,855)</u> | 50,272,743                    |
| Interest payable is not accrued in the governmental funds, but is accrued in the government-wide statements.                                                                                                                                                        |                     | 6,291,107                     |
| Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities they are recognized as an expense when earned.                                                                                   |                     | 27,067                        |
| Repayment of principal on long-term debt is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position, while additions to bond principal are an expense for the Statement of Net Position but not the governmental funds. |                     |                               |
| Debt principal repaid                                                                                                                                                                                                                                               | 18,409,002          |                               |
| Amortization expense                                                                                                                                                                                                                                                | <u>2,580,025</u>    | 20,989,027                    |
| Capital lease proceeds are recorded as an other financing source in governmental funds. This debt, however, increases liabilities in the Statement of Net Position.                                                                                                 |                     |                               |
| Debt issued                                                                                                                                                                                                                                                         | (1,084,810)         |                               |
| Debt principal repaid                                                                                                                                                                                                                                               | <u>1,424,087</u>    | 339,277                       |
| Revenues that do not meet the measurable and available criteria are not recognized in the current year in the governmental funds. In the Statement of Activities, revenues are recognized when earned.                                                              |                     | (1,637,182)                   |
| In the Statement of Activities, pension expense is adjusted based upon the actuarially determined contribution changes                                                                                                                                              |                     | (29,179,174)                  |
| In the Statement of Activities, OPEB expense is adjusted based upon the actuarially determined contribution changes                                                                                                                                                 |                     | <u>(527,401)</u>              |
| <b>CHANGE IN NET POSITION</b>                                                                                                                                                                                                                                       |                     | <u><u>\$ (36,725,227)</u></u> |

The accompanying notes are an integral part of this statement.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hillsboro School District 1J (the District) was formed on July 1, 1996, with the merger of seven school districts. The District is a municipal corporation, organized under ORS 337, and governed by an elected seven-member Board of Directors (Board) which approves the hiring of the administrative officials. The daily functioning of the District is under the supervision of the Superintendent-Clerk. As required by generally accepted accounting principles, all activities of the District have been included in the 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 and special service districts that provide service 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.

Component units are legally separate organizations for which the School District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no component units.

**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. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed through property taxes, intergovernmental revenues, and other non-exchange transactions.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

**Government-wide financial statements (continued).**

The Statement of Activities presents a comparison between direct expenses and program revenues for each function/program. Direct expenses are those that are specifically associated with a function/program and, therefore, are clearly identifiable to that function/program. The District does not allocate indirect expenses. Program revenues include: (1) charges to students or others for tuition, fees, rentals, materials, supplies, or services provided; (2) operating grants and contributions; and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

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

**Fund financial statements.** The fund financial statements provide information about the District's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major funds:

- General Fund. This fund is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.
- Special Revenue Fund. This fund accounts for revenues and expenditures of grants restricted for particular educational projects. Principal revenue sources are federal and state grants, charges for services, and construction excise taxes.
- Debt Service Fund. This fund provides for the payment of principal and interest on general obligation bonded debt. The principal revenue source is property taxes.
- Capital Projects Fund. This fund is presented as major due to the political importance of the fund. This fund accounts for activities related to the acquisition, construction, equipping, and furnishing of facilities. Principal revenue sources are proceeds from the sale of bonds and interest earnings.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting**

Government-wide statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end.

Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and accrued vacation, which are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds, and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

**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 the reported amounts of assets, liabilities, and deferred outflows and inflows, and disclosure of contingent assets, liabilities, and deferred outflows and inflows at the date of the basic financial statements, and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash, Cash Equivalents, and Investments**

The District's 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.

The District's investments consist of U.S. Government Treasury securities and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The District's investments are reported at fair value based upon quoted market rates. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

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

**Property Taxes**

Property taxes are levied and become a lien on all taxable property as of July 1. 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.

Management has determined that an allowance for uncollectible property taxes is not required, because taxes are a lien on the property assessed.

**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.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Supply Inventory**

Inventory is valued at cost, using the first-in, first-out (FIFO) method. Donated commodities are valued at their estimated fair market value when donated. Inventory is charged as an expense/expenditure when used under the consumption method in both the government-wide statements and the governmental fund statements.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepayments. Prepaid items are recorded using the consumption method, and recorded as an expense or an expenditure at the time of consumption.

**Capital Assets**

Capital assets are recorded at original or estimated original cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their acquisition value on the date donated. The District defines capital assets as assets with an initial cost of more than \$5,000, and an estimated life in excess of one year. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

|                                  |                |
|----------------------------------|----------------|
| Buildings and improvements       | 40 to 50 years |
| Furniture and fixtures           | 15 to 30 years |
| Equipment                        | 5 to 20 years  |
| Motor vehicles                   | 10 years       |
| Information technology equipment | 5 years        |

**Compensated Absences**

It is the District's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay, including related payroll taxes, is accrued when earned in the government-wide financial statements. The District estimates that 75% of the total liability for compensated absences will be due within one year. Compensated leave balances carry over beyond the current year if unused.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences (Continued)**

A liability and expenditure for these amounts is reported in the governmental fund statements only if they have matured, for example, as a result of employee resignations and retirements. Payment of compensated absences is made by the governmental funds for which the eligible employee salary is recorded.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position/balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption that applies to a future period(s), and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position/balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition that applies to a future period(s), and so will not be recognized as an inflow of resources (revenue) until that time.

**Long-term Debt**

In the government-wide financial statements, long-term debt is reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**Fund Balance**

In the governmental financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance (Continued)**

Governmental fund type fund balances are classified as follows:

- Non-spendable Fund Balance represents amounts that are not in a spendable form. The non-spendable 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 use of committed funds would be approved 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. The Superintendent and Chief Financial Officer have been granted the authority to assign fund balances, pursuant to School Board Resolution dated April 26, 2011.
- 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.

The governing body 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 unassigned.

**Stewardship, Compliance, and Accountability**

- Budgetary Information. A budget is prepared and legally adopted for each fund in accordance with Oregon Local Budget Law. The budget is prepared using the modified accrual basis of accounting.

The budgeting process begins by appointing Budget Committee members in late fall. Budget recommendations are developed by management through spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June, and the hearing is held in June. The budget is adopted, appropriations are made and the tax levy is declared no later than June 30. Expenditure budgets are appropriated at the major

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Stewardship, Compliance, and Accountability (Continued)**

**Budgetary Information (Continued)**

function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, contingency, and transfers) for each fund. Expenditure appropriations may not legally be over-expended.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10 percent of the fund's original budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10 percent of the fund's original budget requires hearings before the public, publication in newspapers, and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels). Such transfers require approval by the Board. There were two transfers of appropriations by resolution. Budget amounts shown in the basic financial statements include the original and final budget amounts. Appropriations lapse at the end of each fiscal year.

Expenditures and other financing uses are appropriated at any or all of the following levels of control for each fund:

|                                          |                       |
|------------------------------------------|-----------------------|
| Instruction                              | Debt Service          |
| Support Services                         | Operating Contingency |
| Enterprise and Community Services        | Transfers Out         |
| Facilities Acquisitions and Construction |                       |

Expenditures of the various funds were within authorized appropriations, except as follows. In the Special Revenue Fund, Enterprise and Community Services was over-expended by \$629,893.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Stewardship, Compliance, and Accountability (Continued)**

- Budgetary Basis of Accounting. While the District reports financial position, results of operations, and changes in fund balance/net position on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplemental information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles, except that other post-employment benefits (OPEB), compensated absences, and accrued interest liabilities are recorded as an expense when paid; debt is recorded as a revenue when borrowed and an expense when paid; inventory and capital outlay expenditures are expensed when purchased; depreciation and amortization are not recorded; and property taxes are recorded as revenue when available.

**2. CASH 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 investments". In addition, cash and investments are separately held by the Debt Service and Capital Projects Funds.

Cash and investments are comprised of the following at June 30, 2019:

|                                       |                       |
|---------------------------------------|-----------------------|
| Cash on Hand                          | \$ 402                |
| Deposits with financial institutions: |                       |
| Demand Deposits                       | 14,656,259            |
| Money Market                          | 882,144               |
| Certificates of Deposit               | 681,009               |
| Investments                           | 251,916,063           |
| Total                                 | <u>\$ 268,135,877</u> |

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**2. CASH AND INVESTMENTS (Continued)**

**Deposits**

The District's deposits with various financial institutions at year end had a bank value of \$20,717,357, and a book value of \$16,219,412. Deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. Credit union deposits in excess of the National Credit Union Administration (NCUA) coverage are insured through the Oregon Public Funds Collateralization Program for Credit Unions.

**Custodial Credit Risk - Deposits**

In the case of deposits, there is the risk that in the event of a bank failure, the District's deposits may not be returned. The FDIC provides insurance for the District's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits, and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100 percent protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10 percent of their quarter-end public fund deposits if they are well capitalized, 25 percent of their quarter-end public fund deposits if they are adequately capitalized, or 110 percent of their quarter-end public fund deposits if they are undercapitalized, or assigned to pledge 110 percent by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. Credit union deposits are insured up to \$250,000 under the NCUA. As of June 30, 2019, \$19,617,614 of the District's bank balances were covered by the PFCP, and \$99,743 of the credit union balances were covered by the PFCP for Credit Unions.

**Investments**

It is the policy of the District to follow state statutes governing cash management. Statutes authorize investing in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council, and is responsible for all funds in

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**2. CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill, and caution.

Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establishes diversification percentages and specifies the types and maturities of investments. The portfolio guidelines permit securities lending transactions, as well as investments, in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2019.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the District's position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2019. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Policies officially adopted by the District's Board of Directors authorize investing in obligations of U.S. Government agencies, U.S. Government Sponsored Enterprises (USGSE), the U.S. Treasury, time certificates of deposit, repurchase agreements, money market investments, bankers' acceptances, commercial paper, State of Oregon and local government securities, and the State Treasurer's investment pool. The State Treasurer's investment policies are governed by Oregon Revised Statutes and the Oregon Short-Term Fund Board (OSTFB).

As of June 30, 2019, the District had the following investments and maturities:

| Investment Type                   | Fair Value            | Investment Maturities (in months) |             |             |
|-----------------------------------|-----------------------|-----------------------------------|-------------|-------------|
|                                   |                       | Less than 3                       | 3-17        | 18-59       |
| U.S. Treasury Securities          | \$ 157,657,718        | \$ 157,657,718                    | \$ -        | \$ -        |
| State Treasurer's Investment Pool | 94,258,345            | 94,258,345                        | -           | -           |
| Total                             | <u>\$ 251,916,063</u> | <u>\$ 251,916,063</u>             | <u>\$ -</u> | <u>\$ -</u> |

**Interest Rate Risk** As a means of limiting its exposure to fair value losses resulting from rising interest rates, the District's investment policy allows only the purchase of investments that can be held to maturity.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**2. CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

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

The District limits investment maturities as follows:

| <u>Maturity</u> | <u>Minimum to Mature</u> |
|-----------------|--------------------------|
| Under 3 months  | 25% minimum              |
| Under 18 months | 75% minimum              |
| Under 60 months | 100% minimum             |

Credit Risk – Neither the Oregon Revised Statutes nor the District’s investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies. The State Treasurer’s investment pool is unrated.

Oregon Revised Statutes require banker’s acceptances to be guaranteed by and carried on the books of a qualified financial institution, eligible for discount by the Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

Concentration of Credit Risk – To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the District’s investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2019, the District was in compliance with all percentage restrictions.

**3. RECEIVABLES**

Special Revenue Fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs. Other accounts receivable are mostly comprised of money due from Washington County. No allowance for uncollectible accounts has been recorded, because all receivables are considered by management to be collectible.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**3. RECEIVABLES (Continued)**

Receivables are comprised of the following:

|                    |                      |
|--------------------|----------------------|
| Property taxes     | \$ 1,785,867         |
| Grants             | 6,485,651            |
| Interest and other | 2,467,409            |
| Total              | <u>\$ 10,738,927</u> |

**4. CAPITAL ASSETS**

Capital assets activity for the year was as follows:

|                                             | Balance<br>July 1, 2018 | Additions            | Reductions       | Balance<br>June 30, 2019 |
|---------------------------------------------|-------------------------|----------------------|------------------|--------------------------|
| Capital assets not being depreciated:       |                         |                      |                  |                          |
| Land                                        | \$ 39,436,753           | \$ -                 | \$ -             | \$ 39,436,753            |
| Construction in progress                    | 1,997,055               | 32,838,443           | -                | 34,835,498               |
| Total capital assets not being depreciated  | <u>41,433,808</u>       | <u>32,838,443</u>    | <u>-</u>         | <u>74,272,251</u>        |
| Capital assets being depreciated:           |                         |                      |                  |                          |
| Building and improvements                   | 320,455,931             | 26,260,514           | -                | 346,716,445              |
| Original furniture and fixtures             | 23,489,957              | -                    | -                | 23,489,957               |
| Equipment                                   | 4,049,750               | 486,890              | -                | 4,536,640                |
| Motor vehicles                              | 20,125,947              | 1,337,899            | (546,505)        | 20,917,341               |
| Information technology equipment            | 8,365,339               | 60,852               | -                | 8,426,191                |
| Total capital assets being depreciated      | <u>376,486,924</u>      | <u>28,146,155</u>    | <u>(546,505)</u> | <u>404,086,574</u>       |
| Less accumulated depreciation for:          |                         |                      |                  |                          |
| Building and improvements                   | (133,892,484)           | (8,001,561)          | -                | (141,894,045)            |
| Original furniture and fixtures             | (21,092,197)            | (321,775)            | -                | (21,413,972)             |
| Equipment                                   | (2,891,307)             | (120,870)            | -                | (3,012,177)              |
| Motor vehicles                              | (13,420,038)            | (1,300,143)          | 546,505          | (14,173,676)             |
| Information technology equipment            | (3,917,900)             | (967,506)            | -                | (4,885,406)              |
| Total accumulated depreciation              | <u>(175,213,926)</u>    | <u>(10,711,855)</u>  | <u>546,505</u>   | <u>(185,379,276)</u>     |
| Total capital assets being depreciated, net | <u>201,272,998</u>      | <u>17,434,300</u>    | <u>-</u>         | <u>218,707,298</u>       |
| Total capital assets, net                   | <u>\$ 242,706,806</u>   | <u>\$ 50,272,743</u> | <u>\$ -</u>      | <u>\$ 292,979,549</u>    |

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**4. CAPITAL ASSETS (Continued)**

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

| <u>Program</u>                    |                      |
|-----------------------------------|----------------------|
| Instruction                       | \$ 6,468,902         |
| Support Services                  | 3,829,180            |
| Enterprise and Community Services | <u>413,773</u>       |
| Total Depreciation                | <u>\$ 10,711,855</u> |

**5. COMPENSATED ABSENCES**

Activity for compensated absences for the year ended June 30, 2019 is as follows:

|                         |                       |
|-------------------------|-----------------------|
| Balance July 1, 2018    | \$ 520,509            |
| Additions               | 493,442               |
| Payments                | <u>(520,509)</u>      |
| Balance June 30, 2019   | <u>\$ 493,442</u>     |
| <br>Due Within One Year | <br><u>\$ 370,082</u> |

The General Fund is the primary fund where the compensated absences liability is liquidated.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**6. LONG-TERM DEBT**

Long-term debt is comprised of:

|                                    | <u>Total</u>          | <u>Due Within<br/>One Year</u> |
|------------------------------------|-----------------------|--------------------------------|
| General Obligation Bonds           | \$ 391,470,386        | \$ 20,010,000                  |
| Pension Obligation Bonds           | 111,495,000           | 6,985,000                      |
| Certificates of Participation      | 510,000               | 510,000                        |
| Qualified Energy Conservation Bond | 2,586,363             | 421,684                        |
| Capital Leases                     | <u>2,523,294</u>      | <u>1,122,471</u>               |
| Balance June 30, 2019              | 508,585,043           | <u>\$ 29,049,155</u>           |
| Due within one year                | <u>29,049,155</u>     |                                |
| Due in more than one year          | <u>\$ 479,535,888</u> |                                |

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

| Governmental Activities<br>Description          | Outstanding<br>June 30, 2018 | Increases        | Decreases         | Outstanding<br>June 30, 2019 | Due Within<br>One Year |
|-------------------------------------------------|------------------------------|------------------|-------------------|------------------------------|------------------------|
| General obligation bonds                        | \$355,230,000                | -                | \$11,430,000      | \$343,800,000                | \$20,010,000           |
| Unamortized Premium                             | <u>50,250,411</u>            | -                | 2,580,025         | <u>47,670,386</u>            | -                      |
| Total General<br>obligation bonds, net          | 405,480,411                  | -                | 14,010,025        | 391,470,386                  | 20,010,000             |
| Pension obligation bonds                        | 115,570,000                  | -                | 6,075,000         | 111,495,000                  | 6,985,000              |
| Full faith & credit obligation<br>bonds         | 1,000,000                    | -                | 490,000           | 510,000                      | 510,000                |
| Notes from direct<br>placements and borrowings: |                              |                  |                   |                              |                        |
| Qualified energy<br>conservation bond           | 3,000,365                    | -                | 414,002           | 2,586,363                    | 421,684                |
| Capital leases                                  | <u>2,862,571</u>             | 1,084,810        | 1,424,087         | <u>2,523,294</u>             | <u>1,122,471</u>       |
| Total                                           | <u>527,913,347</u>           | <u>1,084,810</u> | <u>22,413,114</u> | <u>508,585,043</u>           | <u>29,049,155</u>      |

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**6. LONG-TERM DEBT (Continued)**

**General Obligation Bonds** – On November 20, 2012, the District issued \$98.9 million in General Obligation Bonds with an interest rate of 1.5% to 5.0%. In November 2017, the District passed a \$408 million capital project levy. In December 2017, the District issued a \$268.4 million general obligation bond series and realized an unamortized premium of \$51.6 million, with an interest rate of 3.0% to 5.0%.

**Pension Obligation Bonds** – During the 2004-05 fiscal year, the District participated in pooled issuances of taxable pension obligation bonds to pay off a portion of the District's unfunded actuarial liability. The District issued \$102,850,000 in debt as part of a pooled issuance of \$458,620,000.

In May 2015, the District issued \$39.86 million in taxable pension obligation bonds to finance the District's estimated PERS unfunded actuarial liability. Bond proceeds were paid to the Public Employee Retirement System (PERS). An intercept agreement with the State of Oregon was required as a condition of issuance; therefore, a portion of State School Support is withheld on a monthly basis to repay debt. Annual principal and interest payments are made each June 30, ending June 2034.

**Certificates of Participation** – Advance Refunding Bonds. On May 29, 2008, the District issued \$4.4 million in Series 2008, Full Faith and Credit Refunding Obligations that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$4.2 million of Full Faith Credit Obligations. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments by \$282,708 and resulted in an economic gain of \$234,413. Upon the occurrence and continuance of any Event of Default, the Escrow Agent may proceed, and upon written request of the Owners of not less than a majority in aggregate principal amount of Series 2000 Obligations then Outstanding, shall proceed: (A) To declare the unpaid principal components of the Financing Payments immediately due and payable, with accrued interest to the date of payment; or (B) To the extent permitted by law, exercise any other remedy available at law or in equity, except that the Project shall not be subject to foreclosure, sale or attachment.

**Qualified Energy Conservation Bonds** – In March 2016, the District entered into a direct placement agreement for an Energy Conservation Bond in the amount of \$3.4 million. The bond has an interest rate of 3.46%. If an Event of Default occurs, the Lender may exercise any remedy available at law or in equity. However, the amounts due from the District under this Agreement shall not be subject to acceleration. Upon the occurrence and

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**6. LONG-TERM DEBT (Continued)**

continuance of an Event of Default, the Lender may, in addition to pursuing other remedies, at its election, increase the Interest Rate by 300 basis points (3.00%).

**Capital Leases** - The District entered into lease agreements as lessee for financing the acquisition of buses for student transportation in 2014-15 for \$1,430,050, 2015-16 for \$1,967,423, 2016-17 for \$1,254,560, 2017-18 for 1,294,571 and 2018-19 for \$1,084,810. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the net present value of their future minimum lease payments as of the inception date. During the fiscal year, capital lease obligations decreased from \$2.9 million to \$2.5 million. The leased buses have a cost of \$7.0 million, and a net book value of \$2.5 million, and accumulated depreciation of \$4.5 million at June 30, 2019. Amortization expense of the period is included in the depreciation expense. The capital lease obligations are paid by the Special Revenue Fund, which is funded by a transportation grant from the State School Fund.

In prior years, the District defeased general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's basic financial statements. As of June 30, 2019, all defeased bonds have been called and none remain outstanding.

The District recorded the amounts deposited with PERS as a deferred outflow of resources, as required by GASB 68 for contributions made after the measurement date. The reduction in pension expense resulting from the side account will be reflected as a reduction in the District's proportionate share of the PERS net pension liability or an increase in the District's proportionate share of the PERS net pension asset.

Except for the payment of its pension bond payments and additional charges when due, each participating school district has no obligation or liability to any other participating school district's pension bonds or liabilities to PERS.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**6. LONG-TERM DEBT (Continued)**

Future debt service requirements for governmental activities long-term debt are as follows:

| For the<br>Year<br>Ending<br>June<br>30, | General Obligation Bonds |                      | Pension Obligation Bonds |                     | Notes from Direct<br>Placements |                  | Full Faith & Credit<br>Obligation Bonds |                 | Capital Leases     |                  |
|------------------------------------------|--------------------------|----------------------|--------------------------|---------------------|---------------------------------|------------------|-----------------------------------------|-----------------|--------------------|------------------|
|                                          | Principal                | Interest             | Principal                | Interest            | Principal                       | Interest         | Principal                               | Interest        | Principal          | Interest         |
| 2020                                     | \$20,010,000             | \$16,377,125         | \$6,985,000              | \$5,038,846         | \$421,684                       | \$85,849         | \$510,000                               | \$20,400        | \$1,122,471        | \$56,637         |
| 2021                                     | 13,480,000               | 15,526,725           | 7,855,000                | 4,738,687           | 429,554                         | 71,191           | -                                       | -               | 669,581            | 34,377           |
| 2022                                     | 15,220,000               | 14,949,000           | 8,790,000                | 4,391,071           | 171,807                         | 58,553           | -                                       | -               | 494,121            | 18,721           |
| 2023                                     | 16,960,000               | 14,343,150           | 9,795,000                | 3,998,695           | 129,179                         | 52,976           | -                                       | -               | 237,121            | 6,948            |
| 2024                                     | 18,755,000               | 13,642,900           | 10,880,000               | 3,558,037           | 134,704                         | 48,459           | -                                       | -               | -                  | -                |
| 2025-29                                  | 89,810,000               | 54,130,500           | 50,755,000               | 9,526,331           | 762,913                         | 167,565          | -                                       | -               | -                  | -                |
| 2030-34                                  | 76,835,000               | 35,458,500           | 16,435,000               | 2,085,173           | 536,522                         | 32,984           | -                                       | -               | -                  | -                |
| 2035-38                                  | 92,730,000               | 12,093,250           | -                        | -                   | -                               | -                | -                                       | -               | -                  | -                |
| Total                                    | <u>\$343,800,000</u>     | <u>\$176,521,150</u> | <u>\$111,495,000</u>     | <u>\$33,336,840</u> | <u>\$2,586,363</u>              | <u>\$517,577</u> | <u>\$510,000</u>                        | <u>\$20,400</u> | <u>\$2,523,294</u> | <u>\$116,683</u> |

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**

**GASB Statement 75**

Employers participating in the Plan are required to report OPEB information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The requirements of the Statement incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employer liabilities for OPEB and recognition of OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

The Schedule of Employer Allocations and the Schedule of OPEB Amounts by Employer (the Schedules), along with PERS audited financial statements and the Schedule of OPEB Amounts under GASB 75 report prepared by PERS' third-party actuaries provide employers with the required information for financial reporting related to PERS OPEB provided through the Plan as of and for the year ended June 30, 2018 (the measurement period).

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**  
**(Continued)**

The other postemployment benefits (OPEB) for the District combines two separate plans. The District provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

**Financial Statement Presentation**

The District's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

| Description                                                                  | Implicit Rate<br>Subsidy Plan | PERS RHIA<br>Plan | Total OPEB<br>On Financials |
|------------------------------------------------------------------------------|-------------------------------|-------------------|-----------------------------|
| Net OPEB Asset                                                               | \$ -                          | \$ 1,350,607      | \$ 1,350,607                |
| Deferred Outflows of Resources                                               |                               |                   |                             |
| Contributions After the<br>Measurement Date                                  | -                             | 603,483           | 603,483                     |
| Changes of assumptions or<br>other input                                     | 2,457,397                     | -                 | 2,457,397                   |
| Total Deferred Outflows                                                      | 2,457,397                     | 603,483           | 3,060,880                   |
| Total OPEB Liability                                                         | (13,421,130)                  | -                 | (13,421,130)                |
| Deferred Inflows of Resources                                                |                               |                   |                             |
| Difference between expected<br>and actual experience                         | -                             | (76,543)          | (76,543)                    |
| Change of assumptions                                                        | -                             | (4,285)           | (4,285)                     |
| Net difference between<br>projected and actual earnings<br>on investments    | -                             | (291,188)         | (291,188)                   |
| Change in Proportionate Share                                                | -                             | (8,520)           | (8,520)                     |
| Total Deferred Inflows                                                       | -                             | (380,536)         | (380,536)                   |
| OPEB Expense<br>(Included in program expenses<br>on Statement of Activities) | 1,717,413                     | (729,393)         | 988,020                     |

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**  
**(Continued)**

**Implicit Rate Subsidy (Medical)**

**Plan Description**

The District's postemployment healthcare plan is administered by Oregon Educators Benefit Board (OEBB). Benefit provisions are established through negotiations between the District and representatives of collective bargaining units. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

OEBB issues a publicly available financial report that includes financial statements and required supplementary information for the District.

As of July 1, 2017, the most recent valuation date, program participants included 1,950 active employees and 112 retired employees or beneficiaries currently receiving benefits.

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

The District's total OPEB liability of \$13,421,130 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

For the fiscal year ended June 30, 2019 the District recognized OPEB expense from this plan of \$1,717,413.

**Actuarial Assumptions and Other Inputs**

|                                                  |                                                                               |
|--------------------------------------------------|-------------------------------------------------------------------------------|
| Valuation date                                   | July 1, 2017                                                                  |
| Measurement date                                 | June 30, 2019                                                                 |
| Actuarial cost method                            | Entry Age Normal, level percent of salary                                     |
| Actuarial assumptions:                           |                                                                               |
| Inflation rate                                   | 2.50 percent                                                                  |
| Projected salary increases                       | 3.50 percent                                                                  |
| Mortality                                        | Basic table: RP 2014, Employee/Healthy Annuitant, sex distinct, generational. |
| Interest Rate for Discounting Future Liabilities | 3.50% per year, based on all years discounted at municipal bond rate.         |

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**  
**(Continued)**

**Implicit Rate Subsidy (Medical) (Continued)**

**Changes in the Total OPEB Liability**

|                                       | <b>Total OPEB<br/>Liability</b> |
|---------------------------------------|---------------------------------|
| Balance as of July 1, 2018            | \$ 9,706,939                    |
| Changes for the year:                 |                                 |
| Service cost                          | 920,273                         |
| Interest on Total OPEB Liability      | 446,083                         |
| Changes of assumptions or other input | 2,808,454                       |
| Benefit payments                      | (460,619)                       |
| Balance as of June 30, 2019           | <u>\$ 13,421,130</u>            |

**Schedule of Collective Deferred Inflows and Outflows**

|                                                    | Deferred<br>Outflow<br>of Resources | Deferred<br>(Inflow) of<br>Resources |
|----------------------------------------------------|-------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$ -                                | \$ -                                 |
| Changes of assumptions or other inputs             | <u>2,457,397</u>                    | <u>-</u>                             |
| Net deferred outflow(inflow) of resources          | <u>\$ 2,457,397</u>                 | <u>\$ -</u>                          |

Amounts reported as deferred outflows and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

| Year ending June 30 | Amount              |
|---------------------|---------------------|
| 2020                | \$ 351,057          |
| 2021                | 351,057             |
| 2022                | 351,057             |
| 2023                | 351,057             |
| 2024                | 351,057             |
| Thereafter          | <u>702,112</u>      |
| Total               | <u>\$ 2,457,397</u> |

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**  
**(Continued)**

**Implicit Rate Subsidy (Medical) (Continued)**

**Sensitivity of the Total OPEB Liability**

The following presents the District total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percentage) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

| <b>Discount Rate</b> | <b>1% Decrease<br/>(2.50%)</b> | <b>Current Discount Rate<br/>(3.50%)</b> | <b>1% Increase<br/>(4.50%)</b> |
|----------------------|--------------------------------|------------------------------------------|--------------------------------|
| Total OPEB Liability | \$ 14,648,826                  | \$ 13,421,130                            | \$ 12,291,415                  |

| <b>Healthcare Cost Trend</b> | <b>1% Decrease (6.00%<br/>Graded Down to 4.00%)</b> | <b>Current Trend Rate (7.00%<br/>Graded Down to 5.00%)</b> | <b>1% Increase (8.00%<br/>Graded Down to 6.00%)</b> |
|------------------------------|-----------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------|
| Total OPEB Liability         | \$ 11,578,222                                       | \$ 13,421,130                                              | \$ 15,657,371                                       |

**PERS Retirement Health Insurance Account**

**Plan Description**

The District contributes to the PERS 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 PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums for eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. PERS issues publicly available financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or online at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

**Benefits Provided**

RHIA was established by ORS 238.420 and authorizes a payment of up to \$60 from RHIA toward the monthly costs of health insurance. The plan was closed to new entrants hired on or after August 29, 2003. To be eligible to receive this monthly payment toward the healthcare 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.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**  
**(Continued)**

**PERS Retirement Health Insurance Account (Continued)**

**Contributions**

PERS funding policy provides for 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. Employer contribution rates for the period were based on the December 31, 2016 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2018. The District's total for the year ended June 30, 2019 contributions was \$603,483.

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

At June 30, 2019, the District reported an asset of \$1,350,607 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to June 30, 2018. The District's proportion of the net OPEB asset was based on the District's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2018, the District's proportionate share was 1.21%, which is an increase from its proportion of 1.18% as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB revenue from this plan of \$729,393. At June 30, 2019, the District reported deferred outflows and deferred inflows of resources related to the OPEB plan from the following sources:

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**  
**(Continued)**

**PERS Retirement Health Insurance Account (Continued)**

**OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to OPEB (Continued)**

Schedule of OPEB Amounts under GASB 75 for RHIA  
June 30, 2019

|                                                                     | Deferred<br>Outflow<br>of Resources | Deferred<br>(Inflow) of<br>Resources | Net Outflow<br>(Inflow) of<br>Resources |
|---------------------------------------------------------------------|-------------------------------------|--------------------------------------|-----------------------------------------|
| Differences between expected and actual experience                  | \$ -                                | \$ (76,543)                          | \$ (76,543)                             |
| Changes of assumptions                                              | -                                   | (4,285)                              | (4,285)                                 |
| Net difference between projected and actual earnings on investments | -                                   | (291,188)                            | (291,188)                               |
| Changes in proportionate share                                      | -                                   | (8,520)                              | (8,520)                                 |
| Subtotal-Amortized Deferrals                                        | -                                   | (380,536)                            | \$ (380,536)                            |
| District contributions subsequent to measurement date               | 603,483                             | -                                    |                                         |
| Net deferred outflow(inflow) of Resources                           | \$ 603,483                          | \$ (380,536)                         |                                         |

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

| Year ending June 30 | Amount       |
|---------------------|--------------|
| 2020                | \$ (126,812) |
| 2021                | (126,178)    |
| 2022                | (98,598)     |
| 2023                | (28,948)     |
| Total               | \$ (380,536) |

All assumptions, methods and plan provisions used in these calculation are described in the Oregon PERS system-wide GASB 75 reporting summary dated March 4, 2019.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**  
**(Continued)**

**PERS Retirement Health Insurance Account (Continued)**

**Actuarial Methods and Assumptions**

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date                    | December 31, 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Measurement date                  | June 30, 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Experience Study                  | 2016, published July 26, 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Actuarial cost method             | Entry Age Normal                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Actuarial assumptions:            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Inflation rate                    | 2.50 percent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Long-term expected rate of return | 7.20 percent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Discount rate                     | 7.20 percent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Projected salary increases        | 3.50 percent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Retiree healthcare participation  | Healthy retirees: 38%; Disabled retirees: 20%                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Healthcare cost trend rate        | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Mortality                         | <b>Healthy retirees and beneficiaries:</b><br>RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation.<br><b>Active members:</b><br>Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.<br><b>Disabled retirees:</b><br>Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct generational per Scale BB, disabled mortality table. |

(Source: June 30, 2018 PERS CAFR; page 71)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits 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 methods and assumptions shown above are based on the 2016 experience study which reviewed experience for the four-year period ending on December 31, 2016.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**  
**(Continued)**

**PERS Retirement Health Insurance Account (Continued)**

**Actuarial Methods and Assumptions (Continued)**

- **Discount Rate.** The discount rate used to measure the total OPEB liability was 7.20% for the RHIA Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those 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 pension plan investments for the RHIA Plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

| Sensitivity of Net OPEB Liability/(Asset) in the Discount Rate as of June 30, 2018 |                     |                                  |                     |
|------------------------------------------------------------------------------------|---------------------|----------------------------------|---------------------|
|                                                                                    | 1% Decrease (6.20%) | Current Discount Rate<br>(7.20%) | 1% Increase (8.20%) |
| OPEB – RHIA                                                                        | \$ (786,390)        | \$ (1,350,607)                   | \$ (1,830,869)      |

| Sensitivity of Net OPEB Liability/(Asset) in the Healthcare Trend as of June 30, 2018 |                |                                  |                |
|---------------------------------------------------------------------------------------|----------------|----------------------------------|----------------|
|                                                                                       | 1% Decrease    | Current Healthcare Trend<br>Rate | 1% Increase    |
| OPEB – RHIA                                                                           | \$ (1,350,607) | \$ (1,350,607)                   | \$ (1,350,607) |

- **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 2015 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 was 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.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**  
**(Continued)**

**PERS Retirement Health Insurance Account (Continued)**

**Actuarial Methods and Assumptions (Continued)**

**TABLE 31**

| <b><u>Long-Term Expected Rate of Return</u></b>                                                                                                         |                           |                                 |                                           |                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------------|-------------------------------------------|---------------------------|
| <b>Asset Class</b>                                                                                                                                      | <b>Target Allocation*</b> | <b>Annual Arithmetic Return</b> | <b>Compound Annual (Geometric) Return</b> | <b>Standard Deviation</b> |
| Core Fixed Income                                                                                                                                       | 8.00 %                    | 3.59 %                          | 3.49 %                                    | 4.55 %                    |
| Short-Term Bonds                                                                                                                                        | 8.00                      | 3.42                            | 3.38                                      | 2.70                      |
| Bank/Leveraged Loans                                                                                                                                    | 3.00                      | 5.34                            | 5.09                                      | 7.50                      |
| High Yield Bonds                                                                                                                                        | 1.00                      | 6.90                            | 6.45                                      | 10.00                     |
| Large/Mid Cap US Equities                                                                                                                               | 15.75                     | 7.45                            | 6.30                                      | 16.25                     |
| Small Cap US Equities                                                                                                                                   | 1.31                      | 8.49                            | 6.69                                      | 20.55                     |
| Micro Cap US Equities                                                                                                                                   | 1.31                      | 9.01                            | 6.80                                      | 22.90                     |
| Developed Foreign Equities                                                                                                                              | 13.13                     | 8.21                            | 6.71                                      | 18.70                     |
| Emerging Market Equities                                                                                                                                | 4.13                      | 10.53                           | 7.45                                      | 27.35                     |
| Non-US Small Cap Equities                                                                                                                               | 1.88                      | 8.67                            | 7.01                                      | 19.75                     |
| Private Equity                                                                                                                                          | 17.50                     | 11.45                           | 7.82                                      | 30.00                     |
| Real Estate (Property)                                                                                                                                  | 10.00                     | 6.15                            | 5.51                                      | 12.00                     |
| Real Estate (REITS)                                                                                                                                     | 2.50                      | 8.26                            | 6.37                                      | 21.00                     |
| Hedge Fund of Funds - Diversified                                                                                                                       | 2.50                      | 4.36                            | 4.09                                      | 7.80                      |
| Hedge Fund - Event-driven                                                                                                                               | 0.63                      | 6.21                            | 5.86                                      | 8.90                      |
| Timber                                                                                                                                                  | 1.88                      | 6.37                            | 5.62                                      | 13.00                     |
| Farmland                                                                                                                                                | 1.88                      | 6.90                            | 6.15                                      | 13.00                     |
| Infrastructure                                                                                                                                          | 3.75                      | 7.54                            | 6.60                                      | 14.65                     |
| Commodities                                                                                                                                             | 1.88                      | 5.43                            | 3.84                                      | 18.95                     |
| Assumed Inflation - Mean                                                                                                                                |                           |                                 | 2.50 %                                    | 1.85 %                    |
| * Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of June 7, 2017. |                           |                                 |                                           |                           |

(Source: June 30, 2018 PERS CAFR; page 72; Table 31)

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**  
**(Continued)**

**PERS Retirement Health Insurance Account (Continued)**

**Actuarial Methods and Assumptions (Continued)**

- **Depletion Date Projection.** GASB 75 generally requires that a blended discount rate be used to measure the total OPEB liability (the actuarial accrued liability calculated using the individual entry age normal cost method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position (fair value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 75 does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgement.

The following circumstances justify an alternative evaluation of sufficiency for the OPEB Plan:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB 75 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions of actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience that might impact the plan's funded position.

Based on these circumstances, the detailed depletion date projections outlined in GASB 75 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**  
**(Continued)**

**PERS Retirement Health Insurance Account (Continued)**

**Actuarial Methods and Assumptions (Continued)**

- **Deferred Inflows of Resources and Deferred Outflows of Resources.** Deferred inflows of resources and deferred outflows of resources are calculated at the Plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2018, employers will report the following deferred inflows of resources and/or deferred outflows of resources:
  - A difference between expected and actual experience
  - Changes in assumptions
  - Changes in employer proportion since the prior measurement date
  - Net difference between projected and actual investment earnings. One-year's amortization is recognized in the employer's total OPEB expense for the measurement period.

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are described below:

Year ended June 30, 2018 – 3.3 years

Year ended June 30, 2017 – 3.7 years

The net difference between projected and actual investment earnings attributable to each measurement period is amortized over a closed five-year period.

Employer contributions made after the measurement date are not reflected in the schedule of OPEB amounts by employer. Appropriate treatment of such amounts is the responsibility of the Employer.

Additional disclosures related to Oregon PERS not applicable to specific employers are available by contacting PERS at PO Box 23700, Tigard, OR 97281-3700, or online at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**8. 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/Pages/Financials/Actuarial-Financial-Information.aspx>

**PERS Pension (Chapter 238)**

The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

- **Pension Benefits.** The PERS retirement allowance is payable monthly for life. Member may select from 13 retirement benefit options that are actuarially equivalent to the base benefit. 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 it results in greater benefit results.
- **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 conditions 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.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**8. PENSION PLAN (Continued)**

- **Disability Benefits.** A member with ten 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.
- **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring, and may experience annual benefit fluctuations due to changes in the market 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 COLA is capped at 2.0 percent.

**Oregon Public Service Retirement Plan Pension Program (OPSRP DB)**

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

- **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.
  - 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.

- **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.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**8. PENSION PLAN (Continued)**

- **Disability Benefits.** A member who has accrued ten 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.
- **Benefit Changes After Retirement.** Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. The cap on the (COLA) will vary based on the amount of the annual benefit.

**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 Post-Employment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation, which became effective July 1, 2017. 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, 2019, were \$15,731,715, excluding amounts to fund employer specific liabilities. Approximately \$11,376,684 was charged for the year ended June 30, 2019, as PERS benefits expenditures to be used for bond payments as they become due. Approximately \$29,179,174 was recognized as employer pension expense during the reporting period.

At June 30, 2019, the District reported a net pension liability of \$188,690,265 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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. At December 31, 2016, the District's proportion was 1.25 percent.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**8. PENSION PLAN (Continued)**

**Contributions (Continued)**

PERS Schedule of Pension Amounts under GASB 68  
June 30, 2019

|                                                                                                               | Deferred<br>Outflow<br>of Resources | Deferred<br>(Inflow) of<br>Resources | Net Outflow<br>(Inflow) of<br>Resources |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------|-----------------------------------------|
| Differences between expected and actual experience                                                            | \$ 6,418,679                        | \$ -                                 | \$ 6,418,679                            |
| Changes of assumptions                                                                                        | 43,870,128                          | -                                    | 43,870,128                              |
| Net difference between projected and actual earnings on investments                                           | -                                   | (8,378,914)                          | (8,378,914)                             |
| Changes in proportionate share                                                                                | 10,851,982                          | (1,843,952)                          | 9,008,030                               |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 10,897,703                          | (3,997,833)                          | 6,899,870                               |
| Subtotal-Amortized Deferrals                                                                                  | 72,038,492                          | (14,220,699)                         | \$ 57,817,793                           |
| District contributions subsequent to measurement date                                                         | 15,731,715                          | -                                    |                                         |
| Net deferred outflow(inflow) of Resources                                                                     | \$ 87,770,207                       | \$ (14,220,699)                      |                                         |

Amounts reported as deferred outflows or inflows of resources related to pension will be recognized in pension expense as follows:

| Year ending June 30 | Amount        |
|---------------------|---------------|
| 2020                | \$ 31,995,372 |
| 2021                | 21,310,170    |
| 2022                | (239,888)     |
| 2023                | 3,448,716     |
| 2024                | 1,303,423     |
| Total               | \$ 57,817,793 |

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB Statement 68 reporting summary dated March 4, 2019. Oregon PERS produces an independently audited CAFR which can be found at: <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**8. PENSION PLAN (Continued)**

**Actuarial Methods and Assumptions**

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date                    | December 31, 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Measurement date                  | June 30, 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Experience Study                  | 2016, published July 26, 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Actuarial cost method             | Entry Age Normal                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Actuarial assumptions:            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Inflation rate                    | 2.50 percent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Long-term expected rate of return | 7.20 percent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Discount rate                     | 7.20 percent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Projected salary increases        | 3.50 percent                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Cost of living adjustments (COLA) | Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Mortality                         | <p><b>Healthy retirees and beneficiaries:</b><br/> 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><br/> 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>Disabled retirees:</b><br/> RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale.</p> |

(Source: June 30, 2018 PERS CAFR; page 69)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits 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 methods and assumptions shown above are based on the 2016 Experience Study, which reviewed experience for the four-year period ended on December 31, 2016.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**8. PENSION PLAN (Continued)**

**Actuarial Methods and Assumptions (Continued)**

- **Discount Rate.** The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from 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.
- **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 2015 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 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.

**TABLE 31**

| <b><u>Long-Term Expected Rate of Return</u></b>                                                                                                         |                           |                                 |                                           |                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------------|-------------------------------------------|---------------------------|
| <b>Asset Class</b>                                                                                                                                      | <b>Target Allocation*</b> | <b>Annual Arithmetic Return</b> | <b>Compound Annual (Geometric) Return</b> | <b>Standard Deviation</b> |
| Core Fixed Income                                                                                                                                       | 8.00 %                    | 3.59 %                          | 3.49 %                                    | 4.55 %                    |
| Short-Term Bonds                                                                                                                                        | 8.00                      | 3.42                            | 3.38                                      | 2.70                      |
| Bank/Leveraged Loans                                                                                                                                    | 3.00                      | 5.34                            | 5.09                                      | 7.50                      |
| High Yield Bonds                                                                                                                                        | 1.00                      | 6.90                            | 6.45                                      | 10.00                     |
| Large/Mid Cap US Equities                                                                                                                               | 15.75                     | 7.45                            | 6.30                                      | 16.25                     |
| Small Cap US Equities                                                                                                                                   | 1.31                      | 8.49                            | 6.69                                      | 20.55                     |
| Micro Cap US Equities                                                                                                                                   | 1.31                      | 9.01                            | 6.80                                      | 22.90                     |
| Developed Foreign Equities                                                                                                                              | 13.13                     | 8.21                            | 6.71                                      | 18.70                     |
| Emerging Market Equities                                                                                                                                | 4.13                      | 10.53                           | 7.45                                      | 27.35                     |
| Non-US Small Cap Equities                                                                                                                               | 1.88                      | 8.67                            | 7.01                                      | 19.75                     |
| Private Equity                                                                                                                                          | 17.50                     | 11.45                           | 7.82                                      | 30.00                     |
| Real Estate (Property)                                                                                                                                  | 10.00                     | 6.15                            | 5.51                                      | 12.00                     |
| Real Estate (REITS)                                                                                                                                     | 2.50                      | 8.26                            | 6.37                                      | 21.00                     |
| Hedge Fund of Funds - Diversified                                                                                                                       | 2.50                      | 4.36                            | 4.09                                      | 7.80                      |
| Hedge Fund - Event-driven                                                                                                                               | 0.63                      | 6.21                            | 5.86                                      | 8.90                      |
| Timber                                                                                                                                                  | 1.88                      | 6.37                            | 5.62                                      | 13.00                     |
| Farmland                                                                                                                                                | 1.88                      | 6.90                            | 6.15                                      | 13.00                     |
| Infrastructure                                                                                                                                          | 3.75                      | 7.54                            | 6.60                                      | 14.65                     |
| Commodities                                                                                                                                             | 1.88                      | 5.43                            | 3.84                                      | 18.95                     |
| Assumed Inflation - Mean                                                                                                                                |                           |                                 | 2.50 %                                    | 1.85 %                    |
| * Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of June 7, 2017. |                           |                                 |                                           |                           |

(Source: June 30, 2018 PERS CAFR; page 72; Table 31)

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**8. PENSION PLAN (Continued)**

**Actuarial Methods and Assumptions (Continued)**

- **Depletion Date Projection.** GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the actuarial accrued liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS:

- Oregon PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions of actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience that might impact the plan's funded position.

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**8. PENSION PLAN (Continued)**

**Actuarial Methods and Assumptions (Continued)**

- **Sensitivity.** 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 one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate.

| <b><u>Sensitivity of Net Pension Liability to Changes in the Discount Rate As of June 30, 2018</u></b> |                                |                                          |                                |
|--------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------|--------------------------------|
| <b>Employers' Net Pension Liability/(Asset)</b>                                                        | <b>1% Decrease<br/>(6.20%)</b> | <b>Current Discount<br/>Rate (7.20%)</b> | <b>1% Increase<br/>(8.20%)</b> |
| Defined Benefit Pension Plan                                                                           | \$ 315,337,081                 | \$ 188,690,265                           | \$ 84,153,684                  |

- **Deferred Inflows of Resources and Deferred Outflows of Resources.** Deferred inflows of resources and deferred outflows of resources are calculated at the Plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2018, employers will report the following deferred inflows of resources and/or deferred outflows of resources:

- A difference between expected and actual experience
- Changes in assumptions
- Changes in employer proportion since the prior measurement date
- Net difference between projected and actual investment earnings

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are described below:

Year ended June 30, 2018 – 5.2 years  
Year ended June 30, 2017 – 5.3 years  
Year ended June 30, 2016 – 5.3 years  
Year ended June 30, 2015 – 5.4 years  
Year ended June 30, 2014 – 5.6 years

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**8. PENSION PLAN (Continued)**

**Actuarial Methods and Assumptions (Continued)**

• **Deferred Inflows of Resources and Deferred Outflows of Resources (Continued)**

The net difference between projected and actual investment earnings attributable to each measurement period is amortized over a closed five-year period.

In addition, employers may need to recognize a difference between their actual employer contributions and their proportionate share of contributions, which is not reflected in the Schedule of Pension Amounts by Employer. GASB 68 requires employers to amortize that difference over remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employer contributions made after the measurement date are also excluded from the Schedule of Pension Amounts by Employer. Appropriate treatment of such amounts is the responsibility of the employer.

Additional disclosures related to Oregon PERS not applicable to specific employers are available by contacting PERS at PO Box 23700, Tigard, OR 97281-3700, or online at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

**9. RISK MANAGEMENT**

The District carries commercial insurance for the various risks it is exposed to: torts; theft or damage to, and destruction of, assets; errors and omissions; and natural disasters. The District does not engage in risk-financing activities where the risk is retained (self-insurance).

Settlements have not exceeded insurance coverage for the each of the three years ending June 30, 2019, 2018, and 2017.

**10. COMMITMENTS AND CONTINGENCIES**

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

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**10. COMMITMENTS AND CONTINGENCIES (Continued)**

The District, in the regular course of business, is a defendant in various lawsuits. The likely outcome of these lawsuits is not presently determinable. However, in the opinion of the District's management, the resolution of these matters will not have a materially adverse effect on the financial condition of the District.

The District receives a substantial portion of its operating funding from the State of Oregon. State funding is determined through statewide revenue projections, and is paid to individual school districts based on pupil counts and other factors in the State School Fund revenue formula. Since these projections and pupil counts fluctuate, they can cause the District to either have increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the District's operations cannot be determined.

The District is committed under various accepted bid agreements and contracts for approximately \$174.1 million for goods, services, and construction of facilities, as follows:

|                       |                      |
|-----------------------|----------------------|
| Capital Projects Fund | <u>\$174,055,887</u> |
|-----------------------|----------------------|

**11. PREPAID EXPENSES**

The District has various prepaid expenses throughout the year that consist of worker's compensation premiums, software licenses and utilities. Total prepaid expenses as of June 30, 2019, were as follows:

|              |                     |
|--------------|---------------------|
| General Fund | <u>\$ 1,377,395</u> |
|--------------|---------------------|

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**12. TAX ABATEMENTS**

Property tax abatements result from agreements between Washington County and others, which impact the Districts levied property taxes. As of June 30, 2019, the District was affected by tax abatement agreements made by Washington County through six programs.

| <b>Exemption Type</b>                                     | <b>Tax Abatement Amount</b> |
|-----------------------------------------------------------|-----------------------------|
| Construction in Process in Enterprise Zone (ORS 285C.170) | \$246,000                   |
| Enterprise Zone (ORS 285C.175)                            | \$3,768,000                 |
| Housing for Low Income Rental (ORS 307.517)               | \$6,000                     |
| Strategic Investment Program (ORS 285C.600)               | \$68,338,000                |
| Vertical Housing (ORS 307.864)                            | \$541,000                   |
| Nonprofit Corporation Low Income Housing (ORS 307.541)    | \$1,000                     |

Estimated based on certified tax roll values (10/5/18)

**13. NEW ACCOUNTING STANDARDS IMPLEMENTED**

For the fiscal year ended June 30, 2019, the District implemented the following new accounting standards:

- **GASB Statement 83**, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible assets should recognize a liability based on the guidance in the Statement.
- **GASB Statement 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of the Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**14. NEW PRONOUNCEMENTS**

The District will implement new GASB pronouncements no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the following pronouncements.

- **GASB Statement 84**, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.
- **GASB Statement 87**, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. For reporting periods beginning after December 15, 2019.
- **GASB Statement 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of the Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. For reporting periods beginning after December 15, 2019.
- **GASB Statement 90**, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. For reporting periods beginning after December 15, 2018.
- **GASB Statement 91**, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. For reporting periods beginning after December 15, 2020.

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**HILLSBORO SCHOOL DISTRICT 1J**  
**Washington County, Oregon**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**HILLSBORO SCHOOL DISTRICT IJ**  
**SCHEDULE OF THE CHANGES IN THE TOTAL OPEB LIABILITY AND SCHEDULE OF TOTAL OPEB**  
**LIABILITY AND RELATED RATIOS FOR MEDICAL SUBSIDY**  
**JUNE 30, 2019**

Schedule of Changes in of the Total OPEB Liability for Medical Subsidy:

| Year<br>Ended<br>June 30, | Service<br>Cost | Interest  | Change<br>of<br>Benefit<br>Terms | Difference<br>Between<br>Expected<br>and actual<br>Experience | Changes of<br>Assumptions<br>or other<br>Input <sup>2</sup> | Benefit<br>payments | Net<br>Change<br>in total<br>OPEB<br>Liability |
|---------------------------|-----------------|-----------|----------------------------------|---------------------------------------------------------------|-------------------------------------------------------------|---------------------|------------------------------------------------|
| 2019                      | \$920,273       | \$446,083 | \$ -                             | \$ -                                                          | \$ 2,808,454                                                | \$(460,619)         | \$3,714,191                                    |
| 2018                      | 715,180         | 321,401   | -                                | -                                                             | -                                                           | 309,852             | 726,729                                        |

Schedule of Total OPEB Liability and Related Ratios for Medical Subsidy:

| Year<br>Ended<br>June 30, | Total<br>OPEB<br>Liability<br>Beginning | Net<br>Change in<br>Total<br>OPEB<br>Liability | Total<br>OPEB<br>Liability<br>Ending <sup>1</sup> | Covered<br>Employee<br>Payroll | Total OPEB<br>Liability as<br>Percentage<br>of Covered<br>Payroll | Discount<br>Rate |
|---------------------------|-----------------------------------------|------------------------------------------------|---------------------------------------------------|--------------------------------|-------------------------------------------------------------------|------------------|
| 2019                      | \$ 9,706,939                            | \$ 3,714,191                                   | \$ 13,421,130                                     | \$ 99,821,417                  | 13.4%                                                             | 3.50%            |
| 2018                      | 8,980,210                               | 726,729                                        | 9,706,939                                         | 96,445,814                     | 10.1%                                                             | 3.50%            |

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.

1. The amounts presented for each fiscal year were actuarially determined at July 1 of odd years and rolled forward to the measurement date.
2. Change in assumptions for 2019 reflects change in Oregon law (SB 1067) that is expected to impact increases in OEGB healthcare plan premiums.

**HILLSBORO SCHOOL DISTRICT IJ**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF**  
**CONTRIBUTIONS FOR RHIA**  
**JUNE 30, 2019**

Schedule of the Proportionate Share of the Net OPEB Liability:

| Year Ended June 30, | Employer's Portion of the Net OPEB Liability (NOL) | Employer's Proportionate Share of the Net OPEB Liability (NOL) <sup>1</sup> | Employer's Covered Payroll <sup>2</sup> | NOL as a Percentage of covered Payroll | Plan fiduciary Net position as a percentage of Total OPEB Liability |
|---------------------|----------------------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------|----------------------------------------|---------------------------------------------------------------------|
| 2019                | 1.21%                                              | \$ (1,350,607)                                                              | \$ 122,808,685                          | -1.10%                                 | 124.0%                                                              |
| 2018                | 1.18%                                              | (491,786)                                                                   | 117,330,543                             | -0.42%                                 | 108.9%                                                              |
| 2017                | 1.21%                                              | 327,825                                                                     | 112,642,257                             | 0.29%                                  | 94.1%                                                               |

Schedule of Employer Contributions:

| 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 |
|---------------------|-----------------------------------|--------------------------------------------------------------------|----------------------------------|----------------------------|-----------------------------------------------|
| 2019                | \$ 603,483                        | \$ 603,483                                                         | \$ -                             | \$128,513,691              | 0.47%                                         |
| 2018                | 585,850                           | 585,850                                                            | -                                | 122,808,685                | 0.48%                                         |
| 2017                | 591,455                           | 591,455                                                            | -                                | 117,330,543                | 0.50%                                         |

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.

1. The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward 18 months to the measurement date.
2. Amounts for covered payroll use the prior year's data to match the measurement date used by the OPEB plan for each fiscal year.

**HILLSBORO SCHOOL DISTRICT IJ**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR PERS**  
**JUNE 30, 2019**

| Year<br>Ended<br>June 30, | Employer's<br>Proportion of<br>the Net Pension<br>Liability (NPL) | Employer's<br>Proportionate Share<br>of the Net Pension<br>Liability (NPL) <sup>1</sup> | Employer's<br>Covered<br>Payroll <sup>2</sup> | NPL as a<br>Percentage<br>of Covered<br>Payroll | Plan Fiduciary<br>Net Position as<br>a Percentage of<br>the Total Pension<br>Liability |
|---------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------|
| 2019 <sup>6</sup>         | 1.24%                                                             | \$ 188,690,265                                                                          | \$ 122,808,685                                | 153.6%                                          | 82.1%                                                                                  |
| 2018                      | 1.17%                                                             | 158,356,193                                                                             | 117,330,543                                   | 135.0%                                          | 83.1%                                                                                  |
| 2017 <sup>5</sup>         | 1.11%                                                             | 167,229,488                                                                             | 112,642,257                                   | 142.5%                                          | 80.5%                                                                                  |
| 2016 <sup>4</sup>         | 1.05%                                                             | 60,293,919                                                                              | 100,728,284                                   | 59.9%                                           | 91.9%                                                                                  |
| 2015 <sup>3</sup>         | 1.39%                                                             | (31,454,943)                                                                            | 94,898,635                                    | -33.1%                                          | 103.6%                                                                                 |
| 2014                      | 1.39%                                                             | 70,815,787                                                                              | 91,185,660                                    | 77.7%                                           | 92.0%                                                                                  |

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.

1. The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward 18 months to the measurement date.
2. Amounts for covered payroll use the prior year's data to match the measurement date used by the pension plan for each fiscal year.
3. The June 30, 2015 NPL reflects benefit changes from the Senate Bills 822 and 861.
4. The June 30, 2016 NPL reflects benefit changes from the Oregon Supreme Court's ruling in *Moro v. State of Oregon*, which overturned portions of Senate Bills 822 and 861.
5. The June 30, 2017 NPL reflects assumption changes reducing inflation rate from 2.75% to 2.50%, the long-term expected rate of return from 7.75% to 7.50%, the discount rate from 7.75% to 7.50% and the projected salary increases from 3.75% to 3.50%.
6. The June 30, 2019 NPL reflects assumption changes reducing the long-term expected rate of return from 7.50% to 7.20% and the discount rate or 7.50% to 7.20%.

**HILLSBORO SCHOOL DISTRICT IJ**  
**SCHEDULE OF CONTRIBUTIONS FOR PERS**  
**JUNE 30, 2019**

| Year<br>Ended<br>June 30, | Statutorily<br>Required<br>Contribution | Contributions in<br>Relation to the<br>Statutorily Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Employer's<br>Covered<br>Payroll | Contributions<br>as a Percent<br>of Covered<br>Payroll |
|---------------------------|-----------------------------------------|-----------------------------------------------------------------------------|----------------------------------------|----------------------------------|--------------------------------------------------------|
| 2019                      | \$ 15,731,715                           | \$ 15,731,715                                                               | \$ -                                   | \$ 128,513,691                   | 12.2%                                                  |
| 2018                      | 15,193,032                              | 15,193,032                                                                  | -                                      | 122,808,685                      | 12.4%                                                  |
| 2017                      | 9,360,920                               | 9,360,920                                                                   | -                                      | 117,330,543                      | 8.0%                                                   |
| 2016                      | 9,876,528                               | 9,876,528                                                                   | -                                      | 112,642,257                      | 8.8%                                                   |
| 2015                      | 14,204,644                              | 14,204,664                                                                  | -                                      | 100,728,284                      | 14.1%                                                  |
| 2014                      | 14,685,298                              | 14,685,298                                                                  | -                                      | 94,898,635                       | 15.5%                                                  |

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.

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

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE-BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                                              | Original<br>Budget  | Final<br>Budget     | Actual               |             | GAAP<br>Basis        | Variance with<br>Final Budget |
|--------------------------------------------------------------|---------------------|---------------------|----------------------|-------------|----------------------|-------------------------------|
|                                                              |                     |                     | Budget<br>Basis      | Adjustments |                      |                               |
| <b>REVENUES:</b>                                             |                     |                     |                      |             |                      |                               |
| Local sources                                                |                     |                     |                      |             |                      |                               |
| Property taxes                                               | \$ 74,411,338       | \$ 74,676,865       | \$ 76,145,402        | \$ -        | \$ 76,145,402        | \$ 1,468,537                  |
| Charges for services                                         | 899,947             | 899,947             | 745,378              | -           | 745,378              | (154,569)                     |
| Earnings on investments                                      | 432,960             | 1,059,604           | 1,182,493            | -           | 1,182,493            | 122,889                       |
| Contributions & donations                                    | 50,000              | 50,000              | -                    | -           | -                    | (50,000)                      |
| Other                                                        | 996,486             | 996,486             | 467,374              | -           | 467,374              | (529,112)                     |
| Intermediate sources                                         | 3,572,545           | 4,072,545           | 4,022,484            | -           | 4,022,484            | (50,061)                      |
| State sources                                                | 129,148,385         | 131,851,124         | 133,882,639          | -           | 133,882,639          | 2,031,515                     |
| <b>Total Revenues</b>                                        | <b>209,511,661</b>  | <b>213,606,571</b>  | <b>216,445,770</b>   | <b>-</b>    | <b>216,445,770</b>   | <b>2,839,199</b>              |
| <b>EXPENDITURES:</b>                                         |                     |                     |                      |             |                      |                               |
| Current                                                      |                     |                     |                      |             |                      |                               |
| Instruction                                                  | 129,331,600         | 137,926,510 (1)     | 137,748,135          | (43,257)    | 137,704,878          | 178,375                       |
| Support services                                             | 85,027,904          | 82,027,904 (1)      | 81,902,188           | (84,746)    | 81,817,442           | 125,716                       |
| Enterprise and community services                            | 545,334             | 545,334 (1)         | 543,536              | -           | 543,536              | 1,798                         |
| Capital Outlay                                               | -                   | -                   | -                    | 128,003     | 128,003              | -                             |
| Contingency                                                  | 1,500,000           | -                   | -                    | -           | -                    | -                             |
| <b>Total Expenditures</b>                                    | <b>216,404,838</b>  | <b>220,499,748</b>  | <b>220,193,859</b>   | <b>-</b>    | <b>220,193,859</b>   | <b>305,889</b>                |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(6,893,177)</b>  | <b>(6,893,177)</b>  | <b>(3,748,089)</b>   | <b>-</b>    | <b>(3,748,089)</b>   | <b>3,145,088</b>              |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                      |             |                      |                               |
| Transfers in                                                 | 1,000,000           | 1,000,000           | 1,000,000            | -           | 1,000,000            | -                             |
| Sale or compensation for loss of capital assets              | -                   | -                   | 42,832               | -           | 42,832               | 42,832                        |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>1,000,000</b>    | <b>1,000,000</b>    | <b>1,042,832</b>     | <b>-</b>    | <b>1,042,832</b>     | <b>42,832</b>                 |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(5,893,177)</b>  | <b>(5,893,177)</b>  | <b>(2,705,257)</b>   | <b>-</b>    | <b>(2,705,257)</b>   | <b>3,187,920</b>              |
| <b>FUND BALANCE, July 1, 2018</b>                            | <b>13,392,374</b>   | <b>13,392,374</b>   | <b>12,795,799</b>    | <b>-</b>    | <b>12,795,799</b>    | <b>(596,575)</b>              |
| <b>FUND BALANCE, June 30, 2019</b>                           | <b>\$ 7,499,197</b> | <b>\$ 7,499,197</b> | <b>\$ 10,090,542</b> | <b>\$ -</b> | <b>\$ 10,090,542</b> | <b>\$ 2,591,345</b>           |

(1) Appropriation Level

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE-BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                                              | Original<br>Budget  | Final<br>Budget     | Budget<br>Basis     | Actual<br>Adjustments | GAAP<br>Basis       | Variance with<br>Final Budget |
|--------------------------------------------------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|-------------------------------|
| <b>REVENUES:</b>                                             |                     |                     |                     |                       |                     |                               |
| Local sources                                                |                     |                     |                     |                       |                     |                               |
| Construction excise tax                                      | \$ 3,000,000        | \$ 3,000,000        | \$ 1,940,482        | \$ -                  | \$ 1,940,482        | \$ (1,059,518)                |
| Charges for services                                         | 5,570,500           | 5,570,500           | 5,760,666           | -                     | 5,760,666           | 190,166                       |
| Earnings on investments                                      | 1,500               | 1,500               | -                   | -                     | -                   | (1,500)                       |
| Contributions & donations                                    | 1,250,000           | 1,250,000           | 921,097             | -                     | 921,097             | (328,903)                     |
| Other                                                        | 111,000             | 111,000             | 570,271             | -                     | 570,271             | 459,271                       |
| Intermediate sources                                         | 1,475,000           | 1,475,000           | 1,531,643           | -                     | 1,531,643           | 56,643                        |
| State sources                                                | 5,573,600           | 5,573,600           | 6,327,783 (2)       | -                     | 6,327,783           | 754,183                       |
| Federal sources                                              | 16,061,819          | 17,017,142          | 17,307,183          | -                     | 17,307,183          | 290,041                       |
| <b>Total Revenues</b>                                        | <b>33,043,419</b>   | <b>33,998,742</b>   | <b>34,359,125</b>   | <b>-</b>              | <b>34,359,125</b>   | <b>360,383</b>                |
| <b>EXPENDITURES:</b>                                         |                     |                     |                     |                       |                     |                               |
| Current                                                      |                     |                     |                     |                       |                     |                               |
| Instruction                                                  | 13,421,184          | 14,376,507 (1)      | 14,260,524          | (119,839)             | 14,140,685          | 115,983                       |
| Support services                                             | 9,376,855           | 10,759,055 (1)      | 10,093,488          | (2,132,735)           | 7,960,753           | 665,567                       |
| Enterprise and community services                            | 10,173,317          | 8,791,117 (1)       | 9,421,010           | (251,987)             | 9,169,023           | (629,893)                     |
| Debt Service                                                 | 2,947,682           | 2,947,682 (1)       | 2,518,695           | -                     | 2,518,695           | 428,987                       |
| Capital Outlay                                               | -                   | -                   | -                   | 2,504,561             | 2,504,561           | -                             |
| <b>Total Expenditures</b>                                    | <b>35,919,038</b>   | <b>36,874,361</b>   | <b>36,293,717</b>   | <b>-</b>              | <b>36,293,717</b>   | <b>580,644</b>                |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(2,875,619)</b>  | <b>(2,875,619)</b>  | <b>(1,934,592)</b>  | <b>-</b>              | <b>(1,934,592)</b>  | <b>941,027</b>                |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |                       |                     |                               |
| Issuance of debt                                             | 1,583,363           | 1,583,363           | 1,084,810           | -                     | 1,084,810           | (498,553)                     |
| Sale or compensation for loss of capital assets              | 25,000              | 25,000              | 15,449              | -                     | 15,449              | (9,551)                       |
| Transfers in                                                 | 500,000             | 500,000             | -                   | -                     | -                   | (500,000)                     |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>2,108,363</b>    | <b>2,108,363</b>    | <b>1,100,259</b>    | <b>-</b>              | <b>1,100,259</b>    | <b>(1,008,104)</b>            |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(767,256)</b>    | <b>(767,256)</b>    | <b>(834,333)</b>    | <b>-</b>              | <b>(834,333)</b>    | <b>(67,077)</b>               |
| <b>FUND BALANCE, July 1, 2018</b>                            | <b>4,853,853</b>    | <b>4,853,853</b>    | <b>7,932,428</b>    | <b>-</b>              | <b>7,932,428</b>    | <b>3,078,575</b>              |
| <b>FUND BALANCE, June 30, 2019</b>                           | <b>\$ 4,086,597</b> | <b>\$ 4,086,597</b> | <b>\$ 7,098,095</b> | <b>\$ -</b>           | <b>\$ 7,098,095</b> | <b>\$ 3,011,498</b>           |

(1) Appropriation Level

(2) Includes \$82,049 State Revenue Lunch Program Match

**HILLSBORO SCHOOL DISTRICT 1J**  
**Washington County, Oregon**

**OTHER SUPPLEMENTARY INFORMATION**

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**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE-BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                    | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Budget &amp;<br/>GAAP Basis<br/>Actual</u> | <u>Variance with<br/>Final Budget</u> |
|------------------------------------|----------------------------|-------------------------|-----------------------------------------------|---------------------------------------|
| <b>REVENUES:</b>                   |                            |                         |                                               |                                       |
| Local sources                      |                            |                         |                                               |                                       |
| Property taxes                     | \$ 33,071,049              | \$ 33,071,049           | \$ 34,209,365                                 | \$ 1,138,316                          |
| Interest on investments            | 70,000                     | 70,000                  | 283,562                                       | 213,562                               |
| Services provided to other funds   | 11,373,697                 | 11,373,697              | 11,383,708                                    | 10,011                                |
| Other revenue in lieu of taxes     | -                          | -                       | 1,211                                         | 1,211                                 |
| <b>Total Revenues</b>              | <u>44,514,746</u>          | <u>44,514,746</u>       | <u>45,877,846</u>                             | <u>1,363,100</u>                      |
| <b>EXPENDITURES:</b>               |                            |                         |                                               |                                       |
| Debt service                       |                            |                         |                                               |                                       |
| Principal                          | 17,505,000                 | 17,505,000              | 17,505,000                                    | -                                     |
| Interest                           | 28,509,746                 | 28,509,746              | 28,509,746                                    | -                                     |
| <b>Total Expenditures</b>          | <u>46,014,746</u>          | <u>46,014,746</u>       | <u>46,014,746</u>                             | <u>-</u>                              |
| <b>NET CHANGE IN FUND BALANCE</b>  | (1,500,000)                | (1,500,000)             | (136,900)                                     | 1,363,100                             |
| <b>FUND BALANCE, July 1, 2018</b>  | <u>1,500,000</u>           | <u>1,500,000</u>        | <u>2,537,190</u>                              | <u>1,037,190</u>                      |
| <b>FUND BALANCE, June 30, 2019</b> | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ 2,400,290</u>                           | <u>\$ 2,400,290</u>                   |

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE-BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                         | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>           |                    | <b>GAAP<br/>Basis</b> | <b>Variance with<br/>Final Budget</b> |
|-----------------------------------------|----------------------------|-------------------------|-------------------------|--------------------|-----------------------|---------------------------------------|
|                                         |                            |                         | <b>Budget<br/>Basis</b> | <b>Adjustments</b> |                       |                                       |
| <b>REVENUES:</b>                        |                            |                         |                         |                    |                       |                                       |
| Local sources                           |                            |                         |                         |                    |                       |                                       |
| Interest on investments                 | \$ 3,000,000               | \$ 3,000,000            | \$ 7,763,813            | \$ -               | \$ 7,763,813          | \$ 4,763,813                          |
| Other                                   | -                          | -                       | 763,973                 | -                  | 763,973               | 763,973                               |
| <b>Total Revenues</b>                   | <u>3,000,000</u>           | <u>3,000,000</u>        | <u>8,527,786</u>        | <u>-</u>           | <u>8,527,786</u>      | <u>5,527,786</u>                      |
| <b>EXPENDITURES:</b>                    |                            |                         |                         |                    |                       |                                       |
| Current                                 |                            |                         |                         |                    |                       |                                       |
| Support services                        | 250,000                    | 250,000                 | 104,912                 | -                  | 104,912               | 145,088                               |
| Facilities acquisition and construction | 92,087,119                 | 92,087,119              | 87,047,075              | (60,697,872)       | 26,349,203            | 5,040,044                             |
| Capital outlay                          | -                          | -                       | -                       | 60,697,872         | 60,697,872            | -                                     |
| Contingency                             | 5,000,000                  | 5,000,000               | -                       | -                  | -                     | 5,000,000                             |
| <b>Total Expenditures</b>               | <u>97,337,119</u>          | <u>97,337,119</u>       | <u>87,151,987</u>       | <u>-</u>           | <u>87,151,987</u>     | <u>10,185,132</u>                     |
| <b>NET CHANGE IN FUND BALANCE</b>       | (94,337,119)               | (94,337,119)            | (78,624,201)            | -                  | (78,624,201)          | 15,712,918                            |
| <b>FUND BALANCE, July 1, 2018</b>       | <u>297,601,698</u>         | <u>297,601,698</u>      | <u>302,160,060</u>      | <u>-</u>           | <u>302,160,060</u>    | <u>4,558,362</u>                      |
| <b>FUND BALANCE, June 30, 2019</b>      | <u>\$ 203,264,579</u>      | <u>\$ 203,264,579</u>   | <u>\$ 223,535,859</u>   | <u>\$ -</u>        | <u>\$ 223,535,859</u> | <u>\$ 20,271,280</u>                  |

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE-BUDGET AND ACTUAL**  
**PERS RESERVE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                             | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Budget Basis<br/>Actual</u> | <u>Variance with<br/>Final Budget</u> |
|---------------------------------------------|----------------------------|-------------------------|--------------------------------|---------------------------------------|
| <b>OTHER FINANCING SOURCES (USES):</b>      |                            |                         |                                |                                       |
| Transfers out                               | \$ (1,000,000)             | \$ (1,000,000)          | \$ (1,000,000)                 | \$ -                                  |
| <b>Total Other Financing Sources (Uses)</b> | <u>(1,000,000)</u>         | <u>(1,000,000)</u>      | <u>(1,000,000)</u>             | <u>-</u>                              |
| <b>NET CHANGE IN FUND BALANCE</b>           | (1,000,000)                | (1,000,000)             | (1,000,000)                    | -                                     |
| <b>FUND BALANCE, July 1, 2018</b>           | <u>1,000,000</u>           | <u>1,000,000</u>        | <u>1,000,000</u>               | <u>-</u>                              |
| <b>FUND BALANCE, June 30, 2019</b>          | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>      | <u><u>\$ -</u></u>             | <u><u>\$ -</u></u>                    |

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF REVENUES - ALL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                                                              | Fund<br>100           | Fund<br>200          | Fund<br>300          |
|------------------------------------------------------------------------------|-----------------------|----------------------|----------------------|
| <b>REVENUES:</b>                                                             |                       |                      |                      |
| <b>Revenue from local sources:</b>                                           |                       |                      |                      |
| 1110 Ad valorem taxes paid by District                                       | \$ 76,058,817         | \$ -                 | \$ 34,170,873        |
| 1114 Payments in Lieu of Property Taxes                                      | 14,812                | -                    | 6,623                |
| 1190 Penalties and interest on taxes                                         | 71,773                | -                    | 31,869               |
| 1200 Revenue from local governments - Construction Excise Tax                | -                     | 1,940,482            | -                    |
| 1310 Tuition                                                                 | 4,408                 | -                    | -                    |
| 1400 Transportation fees                                                     | 42,285                | -                    | -                    |
| 1500 Earning on investments                                                  | 1,182,493             | -                    | 283,562              |
| 1600 Food service                                                            | -                     | 2,046,648            | -                    |
| 1700 Extracurricular activities                                              | 472,853               | 3,652,514            | -                    |
| 1800 Community services activities                                           | -                     | 61,504               | -                    |
| 1910 Rentals                                                                 | 225,832               | 65,195               | -                    |
| 1920 Contributions & donations                                               | -                     | 921,097              | -                    |
| 1960 Recovery of prior year                                                  | (49,387)              | 34,902               | -                    |
| 1970 Services provided other funds                                           | -                     | -                    | 11,383,708           |
| 1980 Fees charged to grants                                                  | 405,258               | -                    | -                    |
| 1990 Miscellaneous                                                           | 111,503               | 378,379              | 1,211                |
| 1995 Printing Revenue                                                        | -                     | 91,795               | -                    |
| <b>Total revenue from local sources</b>                                      | <b>78,540,647</b>     | <b>9,192,516</b>     | <b>45,877,846</b>    |
| <b>Revenue from intermediate sources:</b>                                    |                       |                      |                      |
| 2101 County school funds                                                     | 676,651               | -                    | -                    |
| 2103 ESD                                                                     | 3,345,833             | -                    | -                    |
| 2200 Restricted revenue                                                      | -                     | 1,531,643            | -                    |
| <b>Total revenue from Intermediate Sources</b>                               | <b>4,022,484</b>      | <b>1,531,643</b>     | <b>-</b>             |
| <b>Revenue from state sources:</b>                                           |                       |                      |                      |
| 3101 State school fund - general support                                     | 119,676,390           | -                    | -                    |
| 3102 State school fund - school lunch match                                  | -                     | 82,049               | -                    |
| 3103 Common school fund                                                      | 2,254,742             | -                    | -                    |
| 3104 State managed county timber                                             | 1,331,507             | -                    | -                    |
| 3105 State school fund - transportation grant                                | 10,620,000            | -                    | -                    |
| 3120 Reduced breakfast reimbursement                                         | -                     | 17,440               | -                    |
| 3121 Reduced lunch reimbursement                                             | -                     | 59,868               | -                    |
| 3200 Restricted grants-in-aid                                                | -                     | 931,613              | -                    |
| 3222 State school fund transportation equipment                              | -                     | 1,620,000            | -                    |
| 3299 Other restricted grants-in-aid                                          | -                     | 3,616,813            | -                    |
| <b>Total revenue from state sources</b>                                      | <b>133,882,639</b>    | <b>6,327,783</b>     | <b>-</b>             |
| <b>Revenue from federal sources:</b>                                         |                       |                      |                      |
| 4100 Unrestricted direct from federal government                             | -                     | 29,356               | -                    |
| 4500 Restricted revenue from federal government                              | -                     | 15,767,016           | -                    |
| 4700 Restricted revenue from federal government through intermediate sources | -                     | 902,355              | -                    |
| 4900 Revenue for/on behalf of the District                                   | -                     | 608,456              | -                    |
| <b>Total revenue from federal sources</b>                                    | <b>-</b>              | <b>17,307,183</b>    | <b>-</b>             |
| <b>Revenue from other sources:</b>                                           |                       |                      |                      |
| 5100 Long-term financing sources                                             | -                     | 1,084,810            | -                    |
| 5200 Transfers                                                               | 1,000,000             | -                    | -                    |
| 5300 Sale or compensation for loss of capital assets                         | 42,832                | 15,449               | -                    |
| 5400 Resources - beginning fund balance                                      | 12,795,799            | 7,932,428            | 2,537,190            |
| <b>Total revenue from other sources</b>                                      | <b>13,838,631</b>     | <b>9,032,687</b>     | <b>2,537,190</b>     |
| <b>TOTAL REVENUES</b>                                                        | <b>\$ 230,284,401</b> | <b>\$ 43,391,812</b> | <b>\$ 48,415,036</b> |

| Fund<br>400           | Fund<br>600         | Total                 |
|-----------------------|---------------------|-----------------------|
| \$ -                  | \$ -                | \$ 110,229,690        |
|                       |                     | 21,435                |
| -                     | -                   | 103,642               |
| -                     | -                   | 1,940,482             |
| -                     | -                   | 4,408                 |
| -                     | -                   | 42,285                |
| 7,763,813             | -                   | 9,229,868             |
| -                     | -                   | 2,046,648             |
| -                     | -                   | 4,125,367             |
| -                     | -                   | 61,504                |
| -                     | -                   | 291,027               |
| -                     | -                   | 921,097               |
| 763,973               | -                   | 749,488               |
| -                     | -                   | 11,383,708            |
| -                     | -                   | 405,258               |
| -                     | -                   | 491,093               |
| -                     | -                   | 91,795                |
| 8,527,786             | -                   | 142,138,795           |
| -                     | -                   | 676,651               |
| -                     | -                   | 3,345,833             |
| -                     | -                   | 1,531,643             |
| -                     | -                   | 5,554,127             |
| -                     | -                   | 119,676,390           |
| -                     | -                   | 82,049                |
| -                     | -                   | 2,254,742             |
| -                     | -                   | 1,331,507             |
| -                     | -                   | 10,620,000            |
| -                     | -                   | 17,440                |
| -                     | -                   | 59,868                |
| -                     | -                   | 931,613               |
| -                     | -                   | 1,620,000             |
| -                     | -                   | 3,616,813             |
| -                     | -                   | 140,210,422           |
| -                     | -                   | 29,356                |
| -                     | -                   | 15,767,016            |
| -                     | -                   | 902,355               |
| -                     | -                   | 608,456               |
| -                     | -                   | 17,307,183            |
| -                     | -                   | 1,084,810             |
| -                     | -                   | 1,000,000             |
| -                     | -                   | 58,281                |
| 302,160,060           | 1,000,000           | 326,425,477           |
| 302,160,060           | 1,000,000           | 328,568,568           |
| <b>\$ 310,687,846</b> | <b>\$ 1,000,000</b> | <b>\$ 633,779,095</b> |

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                                            | Object<br>100         | Object<br>200        | Object<br>300        |
|------------------------------------------------------------|-----------------------|----------------------|----------------------|
| <b>EXPENDITURES:</b>                                       |                       |                      |                      |
| <b>Instruction:</b>                                        |                       |                      |                      |
| 1111 Primary programs                                      | \$ 31,170,732         | \$ 15,496,875        | \$ 2,093,754         |
| 1112 Intermediate programs                                 | 12,400                | 5,665                | -                    |
| 1113 Elementary extracurricular                            | 117,339               | 34,245               | 12,722               |
| 1121 Middle school programs                                | 7,379,521             | 3,586,548            | 325,941              |
| 1122 Middle school extracurricular                         | 59,540                | 20,993               | 790                  |
| 1131 High school programs                                  | 15,665,279            | 7,882,691            | 1,413,056            |
| 1132 High school extracurricular                           | 1,627,062             | 594,532              | 282,277              |
| 1133 High school Saturday school                           | 11,423                | 3,618                | -                    |
| 1140 Pre-Kindergarten programs                             | -                     | 70                   | -                    |
| 1210 Talented and gifted program                           | 333,336               | 159,920              | 26,160               |
| 1220 Students with disabilities - restricted programs      | 8,558,817             | 5,426,474            | 1,360,218            |
| 1250 Students with disabilities - less restricted programs | 8,590,319             | 5,165,034            | 949,951              |
| 1270 Education disadvantaged                               | -                     | -                    | 102,500              |
| 1271 Remediation                                           | -                     | -                    | 332                  |
| 1272 Title 1                                               | -                     | 4,270                | 46,858               |
| 1280 Alternative education                                 | 813,003               | 383,024              | 1,784,099            |
| 1291 English second language programs                      | 7,971,754             | 4,446,565            | 336,767              |
| 1292 Teen parent programs                                  | 506,867               | 244,577              | 11,620               |
| 1293 Migrant Education                                     | 283                   | (1,733)              | -                    |
| 1294 Youth corrections education                           | 233,837               | 135,068              | 8,873                |
| 1430 Secondary summer school                               | 2,563                 | 265                  | -                    |
| <b>Total instruction</b>                                   | <b>83,054,075</b>     | <b>43,588,701</b>    | <b>8,755,918</b>     |
| <b>Support services:</b>                                   |                       |                      |                      |
| 2110 Attendance and social work services                   | 2,068,881             | 1,155,049            | 1,334,267            |
| 2120 Guidance Services                                     | 3,805,876             | 1,739,137            | 456,240              |
| 2130 Health Services                                       | 820,210               | 482,105              | 64,728               |
| 2140 Psychological services                                | 598,843               | 301,109              | 11,792               |
| 2150 Speech pathology services                             | 2,446,346             | 1,108,078            | 177,730              |
| 2160 Other student treatment services                      | -                     | 593                  | 114,300              |
| 2190 Service direction, student special education          | 36,025                | 10,879               | 282,206              |
| 2210 Improvement of Instructional services                 | 335,730               | 143,431              | 284,283              |
| 2220 Educational media services                            | 690,327               | 575,711              | 37,450               |
| 2230 Assessment and testing                                | 29,697                | 8,198                | 134,388              |
| 2240 Instructional staff development                       | 735,874               | 301,901              | 443,613              |
| 2310 Board of Education services                           | 67,513                | 22,281               | 108,776              |
| 2320 Executive administration services                     | 314,517               | 174,036              | 47,428               |
| 2410 Office of the principal services                      | 9,282,164             | 5,085,487            | 397,493              |
| 2490 Other support services school administration          | 1,620,063             | 821,081              | 199,643              |
| 2510 Direction of business support services                | 509,971               | 344,483              | 49,711               |
| 2520 Fiscal services                                       | 563,696               | 339,341              | 105,235              |
| 2540 Operation and maintenance of plant                    | 5,279,586             | 3,225,567            | 6,797,306            |
| 2550 Student transportation services                       | 8,156,504             | 5,405,858            | 154,586              |
| 2570 Internal services                                     | 229,961               | 136,827              | (403,074)            |
| 2610 Direction of Central Support Services                 | -                     | (1,367)              | -                    |
| 2630 Information/production services                       | 333,982               | 157,614              | 43,375               |
| 2640 Staff services                                        | 763,715               | 960,481              | 182,174              |
| 2660 Technology services                                   | 1,575,178             | 817,124              | 1,151,493            |
| 2670 Records management services                           | -                     | -                    | 46,118               |
| 2700 Early retirement program                              | 7,000                 | 536                  | -                    |
| <b>Total support services</b>                              | <b>40,271,659</b>     | <b>23,315,540</b>    | <b>12,221,261</b>    |
| <b>Enterprise and community services</b>                   |                       |                      |                      |
| 3300 Other community services                              | 290,660               | 188,240              | 59,209               |
| <b>Total enterprise and community services</b>             | <b>290,660</b>        | <b>188,240</b>       | <b>59,209</b>        |
| <b>TOTAL EXPENDITURES</b>                                  | <b>\$ 123,616,394</b> | <b>\$ 67,092,481</b> | <b>\$ 21,036,388</b> |

| Object<br>400       | Object<br>500     | Object<br>600       | Total                 |
|---------------------|-------------------|---------------------|-----------------------|
| \$ 780,379          | \$ -              | \$ 737              | \$ 49,542,477         |
| 41                  | -                 | -                   | 18,106                |
| 17,625              | -                 | 700                 | 182,631               |
| 164,460             | -                 | 845                 | 11,457,315            |
| 7,020               | -                 | 60                  | 88,403                |
| 466,776             | 34,950            | 924                 | 25,463,676            |
| 128,795             | 8,307             | 70,978              | 2,711,951             |
| -                   | -                 | -                   | 15,041                |
| -                   | -                 | -                   | 70                    |
| 4,493               | -                 | -                   | 523,909               |
| 132,648             | -                 | 52,602              | 15,530,759            |
| 30,721              | -                 | -                   | 14,736,025            |
| -                   | -                 | -                   | 102,500               |
| -                   | -                 | -                   | 332                   |
| -                   | -                 | -                   | 51,128                |
| 295,529             | -                 | 79,122              | 3,354,777             |
| 70,032              | -                 | -                   | 12,825,118            |
| 641                 | -                 | -                   | 763,705               |
| -                   | -                 | -                   | (1,450)               |
| 1,056               | -                 | -                   | 378,834               |
| -                   | -                 | -                   | 2,828                 |
| <u>2,100,216</u>    | <u>43,257</u>     | <u>205,968</u>      | <u>137,748,135</u>    |
| 54,940              | -                 | 223                 | 4,613,360             |
| 81,291              | -                 | 5,997               | 6,088,541             |
| 6,122               | -                 | 419                 | 1,373,584             |
| 12,212              | -                 | -                   | 923,956               |
| 7,362               | -                 | -                   | 3,739,516             |
| -                   | -                 | -                   | 114,893               |
| 12,191              | -                 | 500                 | 341,801               |
| 240,651             | -                 | 255                 | 1,004,350             |
| 65,348              | -                 | 134                 | 1,368,970             |
| 141,024             | -                 | -                   | 313,307               |
| 79,503              | -                 | 999                 | 1,561,890             |
| 12,910              | -                 | 22,643              | 234,123               |
| 29,639              | -                 | 4,380               | 570,000               |
| 463,477             | -                 | 11,935              | 15,240,556            |
| 90,050              | -                 | 6,532               | 2,737,369             |
| 9,141               | -                 | 5,097               | 918,403               |
| 40,995              | 7,622             | 879,966             | 1,936,855             |
| 1,167,729           | -                 | 21,700              | 16,491,888            |
| 1,206,898           | -                 | 231,998             | 15,155,844            |
| 136,425             | 71,522            | -                   | 171,661               |
| -                   | -                 | -                   | (1,367)               |
| 20,150              | -                 | 749                 | 555,870               |
| 20,355              | -                 | 49,320              | 1,976,045             |
| 851,922             | 5,602             | 3,000               | 4,404,319             |
| 12,759              | -                 | 41                  | 58,918                |
| -                   | -                 | -                   | 7,536                 |
| <u>4,763,094</u>    | <u>84,746</u>     | <u>1,245,888</u>    | <u>81,902,188</u>     |
| 5,427               | -                 | -                   | 543,536               |
| 5,427               | -                 | -                   | 543,536               |
| <u>\$ 6,868,737</u> | <u>\$ 128,003</u> | <u>\$ 1,451,856</u> | <u>\$ 220,193,859</u> |

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                           |                                                        | Object<br>100               | Object<br>200              | Object<br>300              | Object<br>400              |
|-------------------------------------------|--------------------------------------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|
| <b>EXPENDITURES:</b>                      |                                                        |                             |                            |                            |                            |
| <b>Instruction:</b>                       |                                                        |                             |                            |                            |                            |
| 1111                                      | Primary programs                                       | \$ 37,891                   | \$ 12,972                  | \$ 115,491                 | \$ 319,749                 |
| 1113                                      | Elementary extracurricular                             | 16,834                      | 4,566                      | 9,190                      | 14,133                     |
| 1121                                      | Middle school programs                                 | 188,379                     | 98,246                     | 436                        | 28,034                     |
| 1122                                      | Middle school extracurricular                          | 2,875                       | 866                        | 693                        | 139,598                    |
| 1131                                      | High school programs                                   | 717,585                     | 310,563                    | 170,112                    | 771,462                    |
| 1132                                      | High school extracurricular                            | 8,877                       | 1,886                      | 12,831                     | 3,515,912                  |
| 1133                                      | High school Saturday school                            | 1,924                       | 579                        | -                          | -                          |
| 1140                                      | Pre-kindergarten programs                              | 7,962                       | 4,836                      | 150                        | 6,188                      |
| 1221                                      | Students with disabilities - restrictive programs      | 914,305                     | 472,435                    | 23,054                     | 73,151                     |
| 1250                                      | Students with disabilities - less restrictive programs | 175,409                     | 160,612                    | 5,244                      | 353                        |
| 1272                                      | Title I                                                | 1,752,497                   | 1,093,416                  | 98,879                     | 104,952                    |
| 1280                                      | Alternative education                                  | 581,005                     | 282,347                    | 236,032                    | 86,358                     |
| 1291                                      | English second language programs                       | 683                         | 191                        | 66                         | 12,798                     |
| 1292                                      | Teen parent programs                                   | 24,639                      | 12,993                     | 91                         | 55                         |
| 1293                                      | Migrant education                                      | 730,326                     | 312,642                    | 94,084                     | 34,956                     |
| 1294                                      | Youth corrections education                            | -                           | -                          | 443                        | -                          |
| 1295                                      | English language learner                               | 6,278                       | 2,018                      | 18,601                     | 2,767                      |
| 1400                                      | Summer school programs                                 | 27,981                      | 7,826                      | -                          | 59                         |
|                                           | <b>Total instruction</b>                               | <u>5,195,450</u>            | <u>2,778,994</u>           | <u>785,397</u>             | <u>5,110,525</u>           |
| <b>Support services:</b>                  |                                                        |                             |                            |                            |                            |
| 2110                                      | Attendance and social work services                    | 310,424                     | 185,336                    | 462,941                    | 18,542                     |
| 2120                                      | Guidance services                                      | 764,155                     | 344,749                    | 536                        | 1,237                      |
| 2130                                      | Health services                                        | 156,003                     | 71,903                     | 33,869                     | -                          |
| 2140                                      | Psychological services                                 | 82,447                      | 36,335                     | -                          | -                          |
| 2150                                      | Speech pathology and audiology services                | 23,037                      | 14,930                     | -                          | -                          |
| 2160                                      | Student treatment center                               | 243,412                     | 128,700                    | -                          | -                          |
| 2190                                      | Service direction, student special education           | 384,997                     | 210,278                    | 135                        | 391                        |
| 2210                                      | Improvement of instruction services                    | 177,525                     | 80,234                     | 18,132                     | 4,770                      |
| 2220                                      | Media services                                         | -                           | -                          | -                          | 12,435                     |
| 2230                                      | Assessment and testing                                 | -                           | -                          | 8,771                      | -                          |
| 2240                                      | Instructional staff development                        | 717,961                     | 305,201                    | 410,159                    | 17,783                     |
| 2410                                      | Office of the principal services                       | 10,042                      | 3,110                      | 39,640                     | 67,245                     |
| 2490                                      | Other support services school administration           | 33,786                      | 11,128                     | 53,162                     | 3,555                      |
| 2510                                      | Direction of business support services                 | 53,908                      | 28,991                     | 102                        | 1,512                      |
| 2520                                      | Fiscal services                                        | -                           | -                          | -                          | -                          |
| 2540                                      | Operation and maintenance of plant                     | 261,629                     | 82,053                     | 891,133                    | 9,952                      |
| 2550                                      | Student transportation services                        | -                           | -                          | 142,420                    | -                          |
| 2570                                      | Internal Services                                      | 3,028                       | 250                        | -                          | -                          |
| 2610                                      | Direction of central support services                  | 472,673                     | 207,129                    | -                          | 378                        |
| 2630                                      | Information/production services                        | 6,609                       | 657                        | 550                        | 26,949                     |
| 2640                                      | Recruitment and placement                              | -                           | 6,000                      | -                          | -                          |
| 2660                                      | Technology services                                    | 20,448                      | 7,746                      | -                          | 200                        |
|                                           | <b>Total support services</b>                          | <u>3,722,084</u>            | <u>1,724,730</u>           | <u>2,061,550</u>           | <u>164,949</u>             |
| <b>Enterprise and community services:</b> |                                                        |                             |                            |                            |                            |
| 3100                                      | Food services                                          | 2,612,061                   | 1,646,820                  | 356,471                    | 3,904,513                  |
| 3300                                      | Community services                                     | 200,722                     | 97,748                     | 133,400                    | 33,337                     |
|                                           | <b>Total enterprise and community services</b>         | <u>2,812,783</u>            | <u>1,744,568</u>           | <u>489,871</u>             | <u>3,937,850</u>           |
| <b>Debt service</b>                       |                                                        |                             |                            |                            |                            |
| 5110                                      | Long-term debt service                                 | -                           | -                          | -                          | -                          |
|                                           | <b>Total debt service</b>                              | <u>-</u>                    | <u>-</u>                   | <u>-</u>                   | <u>-</u>                   |
| <b>TOTAL EXPENDITURES</b>                 |                                                        | <u><u>\$ 11,730,317</u></u> | <u><u>\$ 6,248,292</u></u> | <u><u>\$ 3,336,818</u></u> | <u><u>\$ 9,213,324</u></u> |

| Object<br>500       | Object<br>600       | Total                |
|---------------------|---------------------|----------------------|
| \$ -                | \$ 76               | \$ 486,179           |
| -                   | -                   | 44,723               |
| 9,563               | 210                 | 324,868              |
| -                   | 739                 | 144,771              |
| 105,976             | 28,664              | 2,104,362            |
| 4,300               | 3,770               | 3,547,576            |
| -                   | -                   | 2,503                |
| -                   | -                   | 19,136               |
| -                   | 28,021              | 1,510,966            |
| -                   | -                   | 341,618              |
| -                   | 160,881             | 3,210,625            |
| -                   | 7,060               | 1,192,802            |
| -                   | -                   | 13,738               |
| -                   | -                   | 37,778               |
| -                   | 39,763              | 1,211,771            |
| -                   | -                   | 443                  |
| -                   | 1,135               | 30,799               |
| -                   | -                   | 35,866               |
| <u>119,839</u>      | <u>270,319</u>      | <u>14,260,524</u>    |
| -                   | 765                 | 978,008              |
| -                   | -                   | 1,110,677            |
| -                   | -                   | 261,775              |
| -                   | -                   | 118,782              |
| -                   | -                   | 37,967               |
| -                   | -                   | 372,112              |
| -                   | 109,167             | 704,968              |
| -                   | 1,519               | 282,180              |
| -                   | -                   | 12,435               |
| -                   | -                   | 8,771                |
| -                   | 26,490              | 1,477,594            |
| 247                 | 49                  | 120,333              |
| -                   | -                   | 101,631              |
| -                   | -                   | 84,513               |
| -                   | 149,450             | 149,450              |
| 1,039,178           | -                   | 2,283,945            |
| 1,093,310           | -                   | 1,235,730            |
| -                   | -                   | 3,278                |
| -                   | -                   | 680,180              |
| -                   | -                   | 34,765               |
| -                   | -                   | 6,000                |
| -                   | -                   | 28,394               |
| <u>2,132,735</u>    | <u>287,440</u>      | <u>10,093,488</u>    |
| 244,587             | 60,706              | 8,825,158            |
| 42,400              | 88,245              | 595,852              |
| <u>286,987</u>      | <u>148,951</u>      | <u>9,421,010</u>     |
| -                   | 2,518,695           | 2,518,695            |
| -                   | 2,518,695           | 2,518,695            |
| <u>\$ 2,539,561</u> | <u>\$ 3,225,405</u> | <u>\$ 36,293,717</u> |

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF DEBT SERVICE FUND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                           | Object<br>100 | Object<br>200 | Object<br>300 | Object<br>400 | Object<br>500 | Object<br>600        | TOTAL                |
|---------------------------|---------------|---------------|---------------|---------------|---------------|----------------------|----------------------|
| <b>EXPENDITURES:</b>      |               |               |               |               |               |                      |                      |
| <b>Debt Services</b>      |               |               |               |               |               |                      |                      |
| 5100 Debt service         | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ 46,014,746        | \$ 46,014,746        |
| <b>TOTAL EXPENDITURES</b> | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ 46,014,746</u> | <u>\$ 46,014,746</u> |

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**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                                                                 | Object<br>100            | Object<br>200            | Object<br>300               |
|-----------------------------------------------------------------|--------------------------|--------------------------|-----------------------------|
| <b>EXPENDITURES:</b>                                            |                          |                          |                             |
| <b>Support services</b>                                         |                          |                          |                             |
| 2660 Technology                                                 | \$ 79,455                | \$ 25,457                | \$ -                        |
| <b>Total support services</b>                                   | <u>79,455</u>            | <u>25,457</u>            | <u>-</u>                    |
| <b>Facilities acquisition &amp; construction</b>                |                          |                          |                             |
| 4110 Service area direction                                     | -                        | -                        | 9,045                       |
| 4150 Building acquisition, construction, & improvement services | 725,027                  | 344,679                  | 17,671,556                  |
| 4180 Other Capital Purchases                                    | 4,477                    | 389                      | 944,632                     |
| <b>Total facilities acquisition &amp; construction</b>          | <u>729,504</u>           | <u>345,068</u>           | <u>18,625,233</u>           |
| <b>TOTAL EXPENDITURES</b>                                       | <u><u>\$ 808,959</u></u> | <u><u>\$ 370,525</u></u> | <u><u>\$ 18,625,233</u></u> |

| Object<br>400       | Object<br>500        | Object<br>600       | Total                |
|---------------------|----------------------|---------------------|----------------------|
| \$ -                | \$ -                 | \$ -                | \$ 104,912           |
| -                   | -                    | -                   | 104,912              |
| -                   | -                    | -                   | 9,045                |
| 297,044             | 55,314,019           | 3,031,975           | 77,384,300           |
| 3,021,855           | 5,674,877            | 7,500               | 9,653,730            |
| 3,318,899           | 60,988,896           | 3,039,475           | 87,047,075           |
| <u>\$ 3,318,899</u> | <u>\$ 60,988,896</u> | <u>\$ 3,039,475</u> | <u>\$ 87,151,987</u> |

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF PERS RESERVE FUND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

|                           | Object<br>100      | Object<br>200      | Object<br>300      | Object<br>400      | Object<br>500      |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>EXPENDITURES:</b>      |                    |                    |                    |                    |                    |
| <b>Other uses</b>         |                    |                    |                    |                    |                    |
| 5200 Transfer of funds    | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| <b>Total other uses</b>   | <u>-</u>           | <u>-</u>           | <u>-</u>           | <u>-</u>           | <u>-</u>           |
| <b>TOTAL EXPENDITURES</b> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

| <div>Object</div> <div>600</div> | <div>Object</div> <div>700</div>   | <div>Total</div>                   |
|----------------------------------|------------------------------------|------------------------------------|
| <div>\$</div> <div>-</div>       | <div>\$</div> <div>1,000,000</div> | <div>\$</div> <div>1,000,000</div> |
| <div>-</div>                     | <div>1,000,000</div>               | <div>1,000,000</div>               |
| <div>\$</div> <div>-</div>       | <div>\$</div> <div>1,000,000</div> | <div>\$</div> <div>1,000,000</div> |

# HILLSBORO SCHOOL DISTRICT 1J

OREGON DEPARTMENT OF EDUCATION  
255 Capitol Street NE  
Salem, Oregon 97310

Office of Finance and Administration  
Budget and Analysis

## SUPPLEMENTAL INFORMATION, 2018-19

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

Please enter your expenditures for electricity, heating  
fuel, and water & sewage for these Functions & Objects.

|               | Objects 325 & 326 & 327 |
|---------------|-------------------------|
| Function 2540 | \$ 4,834,925            |
| Function 2550 | \$ 44,787               |

B. Replacement of Equipment - **General Funds:**

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

Exclude these functions:

|    |   |
|----|---|
| \$ | - |
|----|---|

|      |                                           |
|------|-------------------------------------------|
| 1113 | Elementary Extracurricular                |
| 1122 | Middle/Junior High School Extracurricular |
| 1132 | High School Extracurricular               |
| 1140 | Pre-Kindergarten                          |
| 1300 | Continuing Education                      |
| 1400 | Summer School                             |
| 2550 | Pupil Transportation                      |
| 3100 | Food Service                              |
| 3300 | Community Services                        |
| 4150 | Construction                              |

## HILLSBORO SCHOOL DISTRICT 1J

### STATISTICAL SECTION TABLE OF CONTENTS

This part of Hillsboro School District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall finances.

| <b><u>Contents</u></b>                                                                                                                                                                                                     | <b><u>Page</u></b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| <b>Financial Trends</b>                                                                                                                                                                                                    | <b>96</b>          |
| These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.                                                                    |                    |
| <b>Revenue Capacity</b>                                                                                                                                                                                                    | <b>104</b>         |
| These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.                                                                                      |                    |
| <b>Debt Capacity</b>                                                                                                                                                                                                       |                    |
| These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.                    | <b>112</b>         |
| <b>Demographic and Economic Information</b>                                                                                                                                                                                | <b>118</b>         |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.                                                       |                    |
| <b>Operating Information</b>                                                                                                                                                                                               | <b>120</b>         |
| 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. |                    |

#### Sources:

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

**HILLSBORO SCHOOL DISTRICT 1J**  
**NET POSITION BY CATEGORY**  
**Last Ten Fiscal Years**  
**2010 Through 2019**  
**(accrual basis of accounting)**

|                                       | <u>2019</u>            | <u>2018</u>            | <u>2017</u>            | <u>2016</u>            |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|
| Governmental activities:              |                        |                        |                        |                        |
| Net investment in capital assets      | \$ 119,425,365         | \$ 132,523,519         | \$ 114,594,309         | \$ 93,370,283          |
| Restricted for:                       |                        |                        |                        |                        |
| Special programs                      | 7,098,095              | 7,932,428              | 7,582,360              | 8,634,227              |
| Debt service                          | 2,027,936              | -                      | 3,148,710              | 6,070,721              |
| Capital projects                      | -                      | -                      | -                      | -                      |
| Unrestricted                          | <u>(225,603,901)</u>   | <u>(200,783,225)</u>   | <u>(173,946,689)</u>   | <u>(148,835,008)</u>   |
| Total primary government net position | <u>\$ (97,052,505)</u> | <u>\$ (60,327,278)</u> | <u>\$ (48,621,310)</u> | <u>\$ (40,759,777)</u> |

| 2015                  | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 78,831,288         | \$ 64,738,162        | \$ 52,287,910        | \$ 31,538,602        | \$ 43,279,660        | \$ 44,713,254        |
| 5,369,178             | 5,088,140            | 5,507,603            | 6,837,003            | 2,285,638            | -                    |
| 7,410,609             | 4,854,595            | 3,581,143            | 3,358,031            | 3,306,895            | 3,654,721            |
| -                     | -                    | 8,413,441            | 13,463,581           | 20,296,746           | 23,710,495           |
| (94,426,208)          | (12,088,874)         | (22,377,708)         | (7,822,244)          | (19,579,279)         | (19,016,357)         |
| <u>\$ (2,815,133)</u> | <u>\$ 62,592,023</u> | <u>\$ 47,412,389</u> | <u>\$ 47,374,973</u> | <u>\$ 49,589,660</u> | <u>\$ 53,062,112</u> |

**HILLSBORO SCHOOL DISTRICT 1J**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**2010 Through 2019**  
**(accrual basis of accounting)**

|                                             | 2019                   | 2018                   | 2017                  | 2016                   |
|---------------------------------------------|------------------------|------------------------|-----------------------|------------------------|
| <b>Governmental Activities:</b>             |                        |                        |                       |                        |
| <b>Expenses</b>                             |                        |                        |                       |                        |
| Instruction                                 | \$ 186,964,257         | \$ 162,864,021         | \$ 149,844,084        | \$ 161,454,482         |
| Support services                            | 109,178,393            | 98,545,523             | 97,716,311            | 103,928,959            |
| Enterprise & community services             | 11,452,926             | 10,288,193             | 10,128,229            | 10,354,697             |
| Interest on long-term debt                  | 20,914,030             | 15,800,759             | 11,802,160            | 12,218,456             |
| <b>Total expenses</b>                       | <b>328,509,606</b>     | <b>287,498,496</b>     | <b>269,490,784</b>    | <b>287,956,594</b>     |
| <b>Program Revenues:</b>                    |                        |                        |                       |                        |
| Charges for services:                       |                        |                        |                       |                        |
| Instruction                                 | 4,172,060              | 4,119,900              | 4,270,223             | 4,837,643              |
| Support services                            | 291,027                | 230,761                | 362,020               | 346,318                |
| Enterprise & community services             | 2,046,648              | 1,643,568              | 1,628,711             | 1,639,366              |
| Operating grants & contributions:           |                        |                        |                       |                        |
| Instruction                                 | 12,091,201             | 11,469,126             | 7,919,459             | 10,413,580             |
| Support services                            | 7,383,616              | 8,329,519              | 9,067,847             | 3,990,770              |
| Enterprise & community services             | 6,598,480              | 6,652,121              | 6,848,551             | 6,727,933              |
| Interest on long-term debt                  | 2,051,297              | -                      | -                     | -                      |
| Capital grants & contributions:             |                        |                        |                       |                        |
| Enterprise & community services             | -                      | -                      | -                     | -                      |
| Facilities                                  | -                      | 300,000                | -                     | -                      |
| <b>Total program revenues</b>               | <b>34,634,329</b>      | <b>32,744,995</b>      | <b>30,096,811</b>     | <b>27,955,610</b>      |
| <b>Net (Expenses)</b>                       | <b>(293,875,277)</b>   | <b>(254,753,501)</b>   | <b>(239,393,973)</b>  | <b>(260,000,984)</b>   |
| <b>General Revenues</b>                     |                        |                        |                       |                        |
| Property taxes, levied for general purposes | 75,019,638             | 71,823,536             | 69,217,233            | 66,578,201             |
| Property taxes, levied for debt service     | 33,697,947             | 32,050,326             | 31,654,333            | 30,857,723             |
| State school fund - general support         | 133,882,639            | 134,002,096            | 125,998,472           | 120,567,483            |
| Unrestricted intermediate sources           | 4,022,484              | 3,899,102              | 3,683,221             | 3,393,998              |
| Earnings on investments                     | 9,229,868              | 1,588,315              | 793,933               | 459,813                |
| Gain on sale of capital assets              | -                      | -                      | -                     | -                      |
| Miscellaneous                               | 1,297,474              | 392,516                | 185,248               | 199,122                |
| <b>Total general revenues</b>               | <b>257,150,050</b>     | <b>243,755,891</b>     | <b>231,532,440</b>    | <b>222,056,340</b>     |
| <b>CHANGE IN NET POSITION</b>               | <b>\$ (36,725,227)</b> | <b>\$ (10,997,610)</b> | <b>\$ (7,861,533)</b> | <b>\$ (37,944,644)</b> |

|    | 2015               | 2014                 | 2013               | 2012                | 2011                  | 2010                |
|----|--------------------|----------------------|--------------------|---------------------|-----------------------|---------------------|
| \$ | 90,177,101         | \$ 113,612,720       | \$ 112,947,889     | \$ 111,973,461      | \$ 115,345,118        | \$ 113,083,611      |
|    | 71,099,128         | 79,207,615           | 74,174,524         | 70,449,859          | 75,113,377            | 72,721,956          |
|    | 8,308,170          | 8,129,203            | 8,540,335          | 8,277,973           | 8,109,778             | 8,779,813           |
|    | 13,029,323         | 13,034,172           | 14,610,731         | 15,656,739          | 16,560,348            | 17,242,277          |
|    | <u>182,613,722</u> | <u>213,983,710</u>   | <u>210,273,479</u> | <u>206,358,032</u>  | <u>215,128,621</u>    | <u>211,827,657</u>  |
|    |                    |                      |                    |                     |                       |                     |
|    | 4,531,645          | 4,842,097            | 5,119,993          | 5,330,102           | 4,409,514             | 4,256,047           |
|    | 159,545            | 609,956              | 750,681            | 210,960             | 227,538               | 273,337             |
|    | 1,512,339          | 1,719,122            | 1,672,468          | 1,720,616           | 1,739,507             | 1,959,373           |
|    |                    |                      |                    |                     |                       |                     |
|    | 10,258,791         | 5,981,567            | 8,761,256          | 6,435,939           | 17,996,564            | 12,519,540          |
|    | 4,144,617          | 6,392,540            | 8,174,761          | 8,666,716           | 6,136,063             | 1,131,494           |
|    | 6,522,598          | 5,522,009            | 5,795,967          | 5,788,841           | 6,490,380             | 6,469,855           |
|    | -                  | -                    | -                  | -                   | -                     | -                   |
|    | -                  | 384,047              | 450,972            | 563,818             | 96,590                | 80,702              |
|    | -                  | 637,036              | 410,963            | -                   | -                     | -                   |
|    | <u>27,129,535</u>  | <u>26,088,374</u>    | <u>31,137,061</u>  | <u>28,716,992</u>   | <u>37,096,156</u>     | <u>26,690,348</u>   |
|    |                    |                      |                    |                     |                       |                     |
|    | (155,484,187)      | (187,895,336)        | (179,136,418)      | (177,641,040)       | (178,032,465)         | (185,137,309)       |
|    |                    |                      |                    |                     |                       |                     |
|    | 59,703,224         | 56,664,969           | 53,423,125         | 54,224,135          | 51,832,676            | 50,085,826          |
|    | 29,812,298         | 28,493,052           | 27,812,402         | 27,696,616          | 27,630,949            | 26,101,682          |
|    | 121,330,286        | 113,662,969          | 96,246,256         | 100,256,023         | 91,150,843            | 101,051,718         |
|    | 5,137,388          | 2,546,625            | 871,920            | 1,000,000           | -                     | -                   |
|    | 337,386            | 276,870              | 283,150            | 261,912             | 387,598               | -                   |
|    | -                  | -                    | 904                | -                   | 950,007               | 785,940             |
|    | 433,204            | 1,430,485            | 536,077            | 794,235             | 2,086,912             | 11,437,792          |
|    | <u>216,753,786</u> | <u>203,074,970</u>   | <u>179,173,834</u> | <u>184,232,921</u>  | <u>174,038,985</u>    | <u>189,462,958</u>  |
|    |                    |                      |                    |                     |                       |                     |
| \$ | <u>61,269,599</u>  | <u>\$ 15,179,634</u> | <u>\$ 37,416</u>   | <u>\$ 6,591,881</u> | <u>\$ (3,993,480)</u> | <u>\$ 4,325,649</u> |

**HILLSBORO SCHOOL DISTRICT 1J**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**2010 Through 2019**  
(modified accrual basis of accounting)

|                                   | 2019                         | 2018                         | 2017                        | 2016                        |
|-----------------------------------|------------------------------|------------------------------|-----------------------------|-----------------------------|
| <b>FUND BALANCES:</b>             |                              |                              |                             |                             |
| <b>Nonspendable, reported in:</b> |                              |                              |                             |                             |
| General fund                      | \$ 1,460,812                 | \$ 591,385                   | \$ 403,952                  | \$ 280,224                  |
| Special revenue funds             | 225,736                      | 345,821                      | 213,461                     | 218,283                     |
| Capital projects fund             | -                            | -                            | -                           | -                           |
| <b>Restricted, reported in:</b>   |                              |                              |                             |                             |
| General fund                      | -                            | -                            | -                           | -                           |
| Special revenue funds             | 6,872,359                    | 7,586,607                    | 7,368,899                   | 8,415,944                   |
| Debt service fund                 | 2,400,290                    | 2,537,190                    | 2,122,466                   | 1,661,262                   |
| Capital projects funds            | 223,535,859                  | 302,160,060                  | 1,346,696                   | 2,245,328                   |
| <b>Assigned, reported in:</b>     |                              |                              |                             |                             |
| Special revenue funds             | -                            | -                            | -                           | -                           |
| Supplies and carryover            | 743,421                      | -                            | 1,332,092                   | 1,175,000                   |
| PERS reserve                      | -                            | 1,000,000                    | 2,000,000                   | 2,000,000                   |
| <b>Unassigned, reported in:</b>   |                              |                              |                             |                             |
| General fund                      | 7,886,309                    | 12,204,414                   | 10,975,030                  | 13,103,229                  |
| Special revenue funds             | -                            | -                            | -                           | -                           |
| Capital projects funds            | -                            | -                            | -                           | -                           |
| <b>TOTAL FUND BALANCES</b>        | <u><u>\$ 243,124,786</u></u> | <u><u>\$ 326,425,477</u></u> | <u><u>\$ 25,762,596</u></u> | <u><u>\$ 29,099,270</u></u> |

(1) GASB 54 was implemented in 2010-11, requiring new fund balance categories to be reported. Over time, all fund balances will be reported under new GASB 54 fund balance categories.

| 2015                 | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 341,786           | \$ 344,243           | \$ 312,262           | \$ 688,343           | \$ 300,725           | \$ -                 |
| 227,945              | 534,526              | 189,829              | 227,922              | 572,074              | -                    |
| -                    | 34,205               | -                    | -                    | -                    | -                    |
| -                    | -                    | -                    | -                    | -                    | 364,700              |
| 5,141,233            | 4,553,614            | 5,507,603            | 6,837,003            | 2,285,638            | 499,389              |
| 1,433,967            | 3,984,610            | 3,581,143            | 3,358,031            | 3,306,895            | 3,654,721            |
| 2,865,775            | 5,995,241            | 8,413,441            | 13,463,581           | 20,296,746           | 23,710,495           |
| -                    | -                    | -                    | -                    | 2,582,631            | -                    |
| -                    | -                    | -                    | -                    | -                    | -                    |
| 1,500,000            | 1,500,000            | 1,500,000            | 3,000,000            | 4,500,000            | -                    |
| 17,262,483           | 14,112,648           | 8,788,286            | 8,948,777            | 10,654,867           | 17,551,703           |
| -                    | -                    | -                    | -                    | (358,476)            | 2,519,865            |
| -                    | -                    | -                    | -                    | (368,925)            | -                    |
| <u>\$ 28,773,189</u> | <u>\$ 31,059,087</u> | <u>\$ 28,292,564</u> | <u>\$ 36,523,657</u> | <u>\$ 43,772,175</u> | <u>\$ 48,300,873</u> |

**HILLSBORO SCHOOL DISTRICT 1J**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**2010 Through 2019**

(modified accrual basis of accounting)

|                                                          | 2019                   | 2018                  | 2017                  | 2016               |
|----------------------------------------------------------|------------------------|-----------------------|-----------------------|--------------------|
| <b>Revenues</b>                                          |                        |                       |                       |                    |
| Property taxes                                           | \$ 110,354,767         | \$ 105,110,078        | \$ 100,563,776        | \$ 96,961,752      |
| Charges for services                                     | 6,506,044              | 5,934,229             | 5,840,940             | 6,435,189          |
| Earnings on investments                                  | 9,229,868              | 1,588,315             | 792,628               | 459,813            |
| Contributions and donations                              | 921,097                | 12,287,154            | -                     | -                  |
| Services provided to other funds                         | 11,383,708             | 774,808               | -                     | -                  |
| Other                                                    | 3,743,311              | 2,039,298             | 15,523,161            | 11,848,859         |
| Intermediate sources                                     | 5,554,127              | 5,282,937             | 5,143,721             | 4,472,616          |
| State school support                                     | 140,210,422            | 138,590,827           | 128,504,148           | 122,728,879        |
| Federal                                                  | 17,307,183             | 17,429,206            | 16,066,023            | 15,803,705         |
| <b>Total revenues</b>                                    | <b>305,210,527</b>     | <b>289,036,852</b>    | <b>272,434,397</b>    | <b>258,710,813</b> |
| <b>EXPENDITURES:</b>                                     |                        |                       |                       |                    |
| <b>Current operating</b>                                 |                        |                       |                       |                    |
| Instruction                                              | 151,845,563            | 144,762,335           | 132,360,582           | 125,511,177        |
| Support services                                         | 89,883,107             | 89,053,814            | 88,182,891            | 84,067,564         |
| Enterprise & community services                          | 9,712,559              | 9,556,661             | 9,439,332             | 8,963,982          |
| Facilities acquisition & construction                    | 26,349,203             | 5,250,508             | 269,989               | 228,203            |
| <b>Capital outlay</b>                                    | <b>63,330,436</b>      | <b>16,114,412</b>     | <b>3,035,920</b>      | <b>4,086,509</b>   |
| <b>Debt service</b>                                      |                        |                       |                       |                    |
| Principal                                                | 19,833,089             | 34,678,369            | 31,946,756            | 28,702,136         |
| Other                                                    | -                      | (28)                  | 2,206                 | 419                |
| Interest                                                 | 28,700,352             | 10,379,197            | 11,802,160            | 12,251,716         |
| <b>Total expenditures</b>                                | <b>389,654,309</b>     | <b>309,795,268</b>    | <b>277,039,836</b>    | <b>263,811,706</b> |
| <b>Excess (deficiency) of revenues over expenditures</b> | <b>(84,443,782)</b>    | <b>(20,758,416)</b>   | <b>(4,605,439)</b>    | <b>(5,100,893)</b> |
| <b>Other financing sources (uses)</b>                    |                        |                       |                       |                    |
| Bond proceeds                                            | -                      | 51,600,506            | -                     | -                  |
| Issuance of debt                                         | -                      | 268,395,000           | -                     | 3,406,866          |
| Bond payments                                            | -                      | -                     | -                     | -                  |
| Sale or compensation for loss of capital assets          | 58,281                 | 128,717               | 14,205                | 52,685             |
| Capital leases                                           | 1,084,810              | 1,297,074             | 1,254,560             | 1,967,423          |
| Operating transfers in                                   | -                      | -                     | -                     | 500,000            |
| Operating transfers out                                  | -                      | -                     | -                     | (500,000)          |
| <b>Total other financing sources (uses)</b>              | <b>1,143,091</b>       | <b>321,421,297</b>    | <b>1,268,765</b>      | <b>5,426,974</b>   |
| <b>NET CHANGE IN FUND BALANCES</b>                       | <b>\$ (83,300,691)</b> | <b>\$ 300,662,881</b> | <b>\$ (3,336,674)</b> | <b>\$ 326,081</b>  |
| Expenditures for capital assets                          | \$ 60,984,598          | \$ 16,114,412         | \$ 3,043,901          | \$ 4,086,508       |
| Debt service as a percentage of noncapital expenditures  | 14.8%                  | 15.3%                 | 16.0%                 | 15.8%              |

| 2015                  | 2014                | 2013                  | 2012                  | 2011                  | 2010                   |
|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|------------------------|
| \$ 89,919,268         | \$ 84,573,962       | \$ 81,824,121         | \$ 80,948,030         | \$ 79,663,898         | \$ 75,902,580          |
| 6,271,278             | 6,710,072           | 8,926,225             | 9,257,214             | 8,161,987             | 8,197,218              |
| 337,386               | 276,870             | 283,150               | 261,912               | 387,598               | 785,940                |
| -                     | -                   | -                     | -                     | -                     | -                      |
| -                     | -                   | -                     | -                     | -                     | -                      |
| 10,224,931            | 10,502,639          | 7,461,433             | 6,524,021             | 7,495,766             | 6,977,351              |
| 6,074,738             | 2,975,038           | 1,334,511             | 888,300               | 1,378,287             | 2,821,079              |
| 123,226,336           | 116,117,246         | 98,162,287            | 101,918,660           | 92,378,467            | 101,051,718            |
| 16,174,120            | 14,307,594          | 19,461,252            | 18,400,804            | 27,566,990            | 20,120,889             |
| <u>252,228,057</u>    | <u>235,463,421</u>  | <u>217,452,979</u>    | <u>218,198,941</u>    | <u>217,032,993</u>    | <u>215,856,775</u>     |
| 116,762,389           | 110,905,035         | 107,502,434           | 107,619,019           | 106,975,447           | 106,348,362            |
| 86,021,094            | 77,319,892          | 70,598,413            | 67,710,192            | 69,662,999            | 68,171,937             |
| 9,352,157             | 7,935,463           | 8,128,587             | 7,956,058             | 7,521,316             | 8,256,888              |
| -                     | 2,639,938           | 495,737               | 1,860,015             | 2,378,353             | -                      |
| 3,065,081             | 1,511,342           | 4,020,609             | 6,206,632             | 6,905,741             | 19,620,414             |
| 28,212,756            | 22,300,000          | 20,225,000            | 18,365,000            | 17,940,000            | 15,985,000             |
| -                     | 68,411              | 85,220                | 1,050                 | 400                   | 30,931                 |
| 12,571,394            | 13,088,605          | 14,725,769            | 15,731,211            | 16,554,371            | 17,306,459             |
| <u>255,984,871</u>    | <u>235,768,686</u>  | <u>225,781,769</u>    | <u>225,449,177</u>    | <u>227,938,627</u>    | <u>235,719,991</u>     |
| (3,756,814)           | (305,265)           | (8,328,790)           | (7,250,236)           | (10,905,634)          | (19,863,216)           |
| -                     | -                   | 96,794                | -                     | -                     | -                      |
| 58,496,864            | 1,500,000           | -                     | -                     | -                     | -                      |
| (58,461,404)          | -                   | -                     | -                     | -                     | -                      |
| 5,405                 | 17,730              | 904                   | 1,718                 | 1,804,620             | 11,602                 |
| 1,430,050             | 1,554,058           | -                     | -                     | 2,372,318             | -                      |
| -                     | 1,200,000           | 3,597,417             | -                     | 700,000               | -                      |
| -                     | (1,200,000)         | (3,597,417)           | -                     | -                     | -                      |
| <u>1,470,915</u>      | <u>3,071,788</u>    | <u>97,698</u>         | <u>1,718</u>          | <u>4,876,938</u>      | <u>11,602</u>          |
| <u>\$ (2,285,899)</u> | <u>\$ 2,766,523</u> | <u>\$ (8,231,092)</u> | <u>\$ (7,248,518)</u> | <u>\$ (6,028,696)</u> | <u>\$ (19,851,614)</u> |
| \$ 6,606,532          | \$ 5,833,691        | \$ 4,084,550          | \$ 8,043,533          | \$ 3,132,769          | \$ 23,510,115          |
| 16.4%                 | 15.4%               | 15.8%                 | 15.7%                 | 15.3%                 | 15.7%                  |

**HILLSBORO SCHOOL DISTRICT 1J**  
**ASSESSED VALUE OF TAXABLE PROPERTY WITHIN SCHOOL DISTRICT BOUNDARIES**  
**Last Ten Fiscal Years**  
**2010 Through 2019**

| Measure 5 Real Market Value   |                   |                          |                      |                |  |
|-------------------------------|-------------------|--------------------------|----------------------|----------------|--|
| Fiscal Year Ending<br>June 30 | Real Property     | Manufactured<br>Property | Personal<br>Property | Public Utility |  |
| 2019                          | \$ 22,462,321,901 | \$ 57,291,960            | \$ 818,419,521       | \$ 660,469,231 |  |
| 2018                          | 20,288,380,311    | 46,986,620               | 1,191,209,440        | 689,947,131    |  |
| 2017                          | 18,412,341,722    | 43,872,310               | 901,787,645          | 618,365,578    |  |
| 2016                          | 16,631,044,681    | 35,460,830               | 821,813,499          | 595,704,571    |  |
| 2015                          | 14,727,467,792    | 29,912,970               | 739,888,186          | 547,677,942    |  |
| 2014                          | 13,200,019,110    | 26,670,080               | 668,866,677          | 515,618,803    |  |
| 2013                          | 12,434,602,191    | 27,705,330               | 602,339,180          | 474,405,054    |  |
| 2012                          | 13,092,109,066    | 29,539,350               | 573,707,622          | 468,112,631    |  |
| 2011                          | 13,520,809,062    | 31,525,110               | 547,752,419          | 446,746,222    |  |
| 2010                          | 14,072,893,473    | 31,497,060               | 573,441,511          | 416,169,477    |  |

Note: Measure 5 Real Market Value includes Total Real Market Value and offsets for specially assessed property such as farm/forest land and Strategic Investment Programs

Note: Represents Washington County, Yamhill & Multnomah Counties

Source: Oregon Department of Revenue - Oregon Property Tax Statistics

| Total Market<br>Value | Total Taxable<br>Assessed Value | District Assessed Value     |                               | Less: Reduction<br>and<br>Adjustments | Total Taxes<br>Imposed<br>(Not Levy) |
|-----------------------|---------------------------------|-----------------------------|-------------------------------|---------------------------------------|--------------------------------------|
|                       |                                 | Total<br>Direct<br>Tax Rate | Amount Tax<br>Rate Will Raise |                                       |                                      |
| \$ 23,998,502,613     | \$ 15,915,917,572               | \$ 6.22                     | \$ 96,530,663                 | \$ (1,260,026)                        | \$ 95,270,637                        |
| 22,216,523,502        | 15,503,796,073                  | 5.84                        | 88,314,271                    | (1,460,254)                           | 86,854,017                           |
| 19,976,367,255        | 14,586,782,181                  | 5.86                        | 85,458,330                    | (1,474,312)                           | 83,984,018                           |
| 18,084,023,581        | 14,019,008,427                  | 5.87                        | 82,318,095                    | (1,557,153)                           | 80,760,942                           |
| 16,044,946,890        | 12,527,948,271                  | 5.94                        | 74,376,721                    | (1,254,961)                           | 73,121,760                           |
| 14,411,174,670        | 11,946,872,340                  | 6.28                        | 74,985,230                    | (1,487,002)                           | 73,498,228                           |
| 13,539,051,755        | 11,438,477,752                  | 6.30                        | 72,086,863                    | (1,614,038)                           | 70,472,825                           |
| 14,163,468,669        | 11,356,808,253                  | 6.29                        | 71,457,529                    | (1,341,667)                           | 70,115,862                           |
| 14,546,832,813        | 10,908,553,101                  | 6.40                        | 69,803,033                    | (1,103,124)                           | 68,699,909                           |
| 15,094,001,521        | 10,462,732,422                  | 6.33                        | 66,239,809                    | (930,213)                             | 65,309,596                           |

**HILLSBORO SCHOOL DISTRICT 1J**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**Last Ten Fiscal Years**  
**2010 Through 2019**

(rate per \$1,000 of assessed value)

| <b>DIRECT:</b>                                   | 2019      | 2018      | 2017      | 2016      | 2015      |
|--------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Hillsboro School District                        | \$ 6.2166 | \$ 5.8396 | \$ 5.8605 | \$ 5.8738 | \$ 5.9389 |
| Hillsboro School District - after 10/6/01        | 0.9222    | 1.3116    | 1.3357    | 1.3509    | 1.4811    |
| Prior School District Bonds:                     |           |           |           |           |           |
| Reedville                                        | -         | -         | -         | -         | -         |
| <b>OVERLAPPING GOVERNMENTS:</b>                  |           |           |           |           |           |
| Washington County                                | 2.2484    | 2.2484    | 2.2484    | 2.2484    | 2.2484    |
| Washington County - after 10/6/01                | 0.0699    | 0.0700    | 0.0709    | 0.5900    | 0.5900    |
| Washington County - after 1/1/13                 | 0.6400    | 0.6400    | 0.6400    | -         | -         |
| Enhanced Sheriff Patrol                          | 1.3165    | 1.3165    | 1.3165    | 1.3165    | 1.3165    |
| Road Maintenance                                 | 0.2456    | 0.2456    | 0.2456    | 0.2456    | 0.2456    |
| Port of Portland                                 | 0.0701    | 0.0701    | 0.0701    | 0.0701    | 0.0701    |
| City of Beaverton                                | 8.9492    | 4.3454    | 8.8013    | 4.3279    | -         |
| City of Beaverton after 01/01/13                 | 0.0945    | 0.0304    | -         | -         | -         |
| City of Hillsboro                                | 3.6665    | 3.6665    | 6.5997    | 5.8664    | 8.0663    |
| City of Hillsboro - after 10/6/01                | 1.7200    | 1.7200    | 3.0960    | 2.7520    | 3.7840    |
| City of North Plains                             | 2.1712    | 2.1712    | 2.1712    | 2.1712    | 2.1712    |
| City of Cornelius                                | 4.4706    | 4.4706    | 4.4706    | 4.4706    | 3.9836    |
| Cornelius RFPD                                   | 0.7620    | 1.1642    | 1.2052    | 1.2237    | 1.2558    |
| Washington County RFFD #2                        | -         | -         | 1.1219    | 1.1219    | 1.1219    |
| Washington County RFFD #2 - after 10/6/01        | -         | -         | 0.5700    | 0.5700    | 0.5700    |
| Tualatin Valley Fire and Rescue                  | 1.5252    | 1.5252    | 1.5252    | 1.5252    | 1.5252    |
| Tualatin Valley Fire and Rescue - after 10/6/01  | 0.1087    | 0.1023    | 0.1226    | 0.5826    | 0.3659    |
| Tualatin Valley Fire and Rescue - after 1/1/13   | 0.4500    | 0.4500    | 0.4500    | -         | -         |
| Gaston RFPD                                      | 1.7621    | 1.7621    | 1.7621    | 1.7621    | 1.7621    |
| Banks RFPD                                       | 2.1689    | 2.0043    | 2.0562    | 2.0854    | 2.1499    |
| Forest Grove RFPD                                | 1.2766    | 1.2766    | 1.2766    | 1.2766    | 1.2766    |
| Metro Service District                           | 0.0966    | 0.0966    | 0.1118    | 0.1117    | 0.1852    |
| Metro Service District - after 10/6/01           | 0.2801    | 0.2162    | 0.1892    | 0.2766    | 0.2733    |
| Metro Service District - after 1/1/13            | 0.0960    | 0.0960    | 0.0960    | -         | -         |
| Tri-Met                                          | -         | -         | -         | -         | -         |
| Tualatin Hills Park & Recreation                 | 1.3703    | 1.3073    | 1.3073    | 1.3973    | 1.4146    |
| Tualatin Hills Park & Recreation - after 10/6/01 | 0.3168    | 0.3038    | 0.3119    | 0.3173    | 0.3021    |
| Northwest Regional ESD                           | 0.1538    | 0.1538    | 0.1538    | 0.1538    | 0.1538    |
| Portland Community College                       | 0.2828    | 0.2828    | 0.2828    | 0.2828    | 0.4185    |
| Portland Community College - after 10/6/01       | 0.4046    | 0.3222    | 0.3957    | 0.3027    | 0.3037    |
| Rainbow Lanes Road                               | 0.4888    | 0.4888    | 0.4888    | 0.4888    | 0.4888    |
| Urban Renewal - Hillsboro                        | -         | -         | -         | 0.0867    | -         |
| Urban Renewal - Beaverton                        | -         | -         | -         | 0.0982    | -         |

Source: The Washington County Department of Assessment and Taxation.

|    | 2014   |    | 2013   |    | 2012   |    | 2011   |    | 2010   |
|----|--------|----|--------|----|--------|----|--------|----|--------|
| \$ | 6.2778 | \$ | 6.3034 | \$ | 6.2933 | \$ | 6.4001 | \$ | 6.3322 |
|    | 1.1228 |    | 1.1943 |    | 1.1730 |    | 1.1845 |    | 1.1278 |
|    | -      |    | -      |    | -      |    | -      |    | 0.4102 |
|    |        |    |        |    |        |    |        |    |        |
|    | 2.3775 |    | 2.3801 |    | 2.3844 |    | 2.3898 |    | 2.3940 |
|    | 0.5900 |    | 0.5900 |    | 0.5900 |    | 0.5900 |    | 0.5900 |
|    | -      |    | -      |    | -      |    | -      |    | -      |
|    | 1.3165 |    | 1.2285 |    | 1.2477 |    | 1.2660 |    | 1.2823 |
|    | 0.2456 |    | 0.2456 |    | 0.2456 |    | 0.2456 |    | 0.2456 |
|    | 0.0701 |    | 0.0701 |    | 0.0701 |    | 0.0701 |    | 0.0701 |
|    | -      |    | -      |    | -      |    | -      |    | -      |
|    | -      |    | -      |    | -      |    | -      |    | -      |
|    | 7.3330 |    | 5.1331 |    | 5.3865 |    | 5.3865 |    | 5.3865 |
|    | 3.4400 |    | 2.4080 |    | -      |    | -      |    | -      |
|    | 2.1712 |    | 2.1712 |    | 2.1712 |    | 2.1712 |    | 2.1712 |
|    | 3.9836 |    | 3.9836 |    | 3.9836 |    | 3.9836 |    | 3.9836 |
|    | 1.2780 |    | 1.2971 |    | 1.3097 |    | 1.3354 |    | 1.3300 |
|    | 1.1219 |    | 1.1219 |    | 1.1219 |    | 1.1219 |    | 1.1219 |
|    | 0.5700 |    | 0.5700 |    | 0.5700 |    | 0.5700 |    | 0.5700 |
|    | 1.5252 |    | 1.5252 |    | 1.5252 |    | 1.5252 |    | 1.5252 |
|    | 0.3809 |    | 0.3893 |    | 0.4050 |    | 0.3576 |    | 0.3695 |
|    | -      |    | -      |    | -      |    | -      |    | -      |
|    | 1.7621 |    | 1.7621 |    | 1.7621 |    | 1.7621 |    | 1.5121 |
|    | 2.0051 |    | 2.0332 |    | 2.0505 |    | 2.1007 |    | 2.1324 |
|    | 1.3744 |    | 1.4012 |    | 1.2766 |    | 1.4262 |    | 1.4339 |
|    | 0.1900 |    | 0.2621 |    | 0.2277 |    | 0.2499 |    | 0.2504 |
|    | 0.2771 |    | 0.1422 |    | 0.0877 |    | 0.1589 |    | 0.1864 |
|    | -      |    | -      |    | -      |    | -      |    | -      |
|    | -      |    | -      |    | 0.0583 |    | 0.0878 |    | 0.0863 |
|    | 1.4216 |    | 1.4224 |    | 1.7388 |    | 1.7428 |    | 1.7343 |
|    | 0.3066 |    | 0.3074 |    | -      |    | -      |    | -      |
|    | 0.1538 |    | 0.1538 |    | 0.1538 |    | 0.1538 |    | 0.1538 |
|    | 0.4582 |    | 0.4853 |    | 0.4460 |    | 0.4628 |    | 0.4579 |
|    | 0.2760 |    | 0.1798 |    | 0.1521 |    | 0.1731 |    | 0.1746 |
|    | 0.4888 |    | 0.4888 |    | 0.4888 |    | 0.4888 |    | 0.4888 |
|    | -      |    | -      |    | -      |    | -      |    | -      |
|    | -      |    | -      |    | -      |    | -      |    | -      |

**HILLSBORO SCHOOL DISTRICT 1J**  
**PRINCIPAL PROPERTY TAXPAYERS FOR WASHINGTON COUNTY**  
**Current Year (2019) and Nine Years Prior (2010)**

|                           |                               | 2019                              |                  |                         |                                          |
|---------------------------|-------------------------------|-----------------------------------|------------------|-------------------------|------------------------------------------|
| Taxpayer                  | Name                          | Measure 50<br>Assessed Value (AV) | Taxes Levied     | Percentage<br>of HSD AV | Percentage of<br>Washington<br>County AV |
| 1                         | Intel                         | \$ 2,078,052,359                  | \$ 34,373,633    | 13.06%                  | 3.20%                                    |
| 2                         | Nike, Inc.                    | 1,093,542,161                     | 19,045,111       | 6.87%                   | 1.68%                                    |
| 3                         | Portland General Electric Co. | 562,421,042                       | 9,068,934        | 3.53%                   | 0.87%                                    |
| 4                         | Pacific Realty Associates     | 393,578,781                       | 6,687,692        | 2.47%                   | 0.61%                                    |
| 5                         | Northwest Natural Gas Co.     | 363,827,660                       | 5,745,354        | 2.29%                   | 0.56%                                    |
| 6                         | Comcast Corporation           | 256,677,200                       | 4,404,434        | 1.61%                   | 0.40%                                    |
| 7                         | Verizon Communications        | 235,898,000                       | 3,929,819        | 1.48%                   | 0.36%                                    |
| 8                         | Genentech Inc                 | 212,360,480                       | 3,534,851        | 1.33%                   | 0.33%                                    |
| 9                         | LAM Resarch Corporation       | 169,942,151                       | 2,691,823        | 1.07%                   | 0.26%                                    |
| 10                        | PPR Washington Square LLC     | 149,777,028                       | 2,577,752        | 0.94%                   | 0.23%                                    |
| -                         | Maxim Integrated Products     | -                                 | -                | -                       | -                                        |
| -                         | Tektronix Inc                 | -                                 | -                | -                       | -                                        |
| -                         | PS Business Parks             | -                                 | -                | -                       | -                                        |
|                           | All other Washington County   | 59,458,235,870                    | 1,044,049,627    |                         |                                          |
| Total Washington County   |                               | \$ 64,974,312,732                 | \$ 1,136,109,030 |                         |                                          |
| Hillsboro School District |                               | \$ 15,915,917,572                 |                  |                         |                                          |

Note: Represents Washington County only. Multnomah and Yamhill County portions of the District comprise less than 0.02% of the District's assessed value.

2010

| Rank | Taxable<br>Assessed Value | Percentage<br>of HSD AV | Percentage of<br>Washington<br>County AV |
|------|---------------------------|-------------------------|------------------------------------------|
| 1    | \$ 1,053,477,587          | 10.07%                  | 10.99%                                   |
| 3    | 429,873,425               | 4.11%                   | 4.48%                                    |
| 4    | 355,703,920               | 3.40%                   | 3.71%                                    |
| 6    | 294,193,459               | 2.81%                   | 3.07%                                    |
| 5    | 300,943,530               | 2.88%                   | 3.14%                                    |
| 7    | 212,605,300               | 2.03%                   | 2.22%                                    |
| 2    | 436,478,049               | 4.17%                   | 4.55%                                    |
| -    | -                         | -                       | -                                        |
| -    | -                         | -                       | -                                        |
| -    | -                         | -                       | -                                        |
| 8    | 155,112,058               | 1.48%                   | 1.62%                                    |
| 9    | 132,746,367               | 1.27%                   | 1.38%                                    |
| 10   | 104,442,466               | 1.00%                   | 1.09%                                    |
|      | <u>6,114,400,776</u>      |                         |                                          |
|      | <u>\$ 9,589,976,937</u>   |                         |                                          |
|      | <u>\$ 10,465,349,538</u>  |                         |                                          |

**HILLSBORO SCHOOL DISTRICT 1J**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**  
**2010 Through 2019**

| Fiscal Year | Net Taxes      | Collected within the Fiscal Year of Levy |                    | Collection in | Tax Collections to Date |               |
|-------------|----------------|------------------------------------------|--------------------|---------------|-------------------------|---------------|
| Ending      | Levied for the |                                          |                    | Subsequent    |                         | Percentage of |
| June 30     | Fiscal Year    | Amount                                   | Percentage of Levy | Years         | Amount                  | Levy          |
| 2019        | \$ 111,269,635 | \$ 106,810,743                           | 95.99%             | \$ -          | \$ 106,810,743          | 95.99%        |
| 2018        | 108,740,079    | 104,171,341                              | 95.80%             | 1,063,945     | 105,235,286             | 96.78%        |
| 2017        | 103,666,996    | 99,478,687                               | 95.96%             | 1,116,168     | 100,594,855             | 97.04%        |
| 2016        | 100,046,726    | 95,613,087                               | 95.57%             | 1,305,360     | 96,918,447              | 96.87%        |
| 2015        | 92,272,618     | 88,208,658                               | 95.60%             | 1,572,499     | 89,781,157              | 97.30%        |
| 2014        | 87,085,501     | 82,849,198                               | 95.14%             | 2,034,913     | 84,884,111              | 97.47%        |
| 2013        | 84,325,790     | 80,516,253                               | 95.48%             | 2,075,165     | 82,591,418              | 97.94%        |
| 2012        | 83,738,165     | 79,664,870                               | 95.14%             | 3,470,398     | 83,135,268              | 99.28%        |
| 2011        | 81,827,938     | 77,466,427                               | 94.67%             | 3,181,472     | 80,647,899              | 98.56%        |
| 2010        | 78,263,542     | 73,894,785                               | 94.42%             | 3,137,314     | 77,032,099              | 98.43%        |

Taxes extended, less discounts allowed

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**HILLSBORO SCHOOL DISTRICT 1J**  
**OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**  
(dollars in thousands, except per capita)

| Fiscal<br>Year | General Obligation<br>Bonds | Less Amount<br>Available<br>for Repayment | Net General Bonded Debt |             |               | Pension<br>Obligation<br>Bonds | Certificates of<br>Participation |
|----------------|-----------------------------|-------------------------------------------|-------------------------|-------------|---------------|--------------------------------|----------------------------------|
|                |                             |                                           | General<br>Bonded Debt  | Per<br>ADMw | Per<br>Capita |                                |                                  |
| 2019           | \$ 391,470,386              | \$ (2,027,935.96)                         | \$ 389,442,450          | \$ 19,267   | \$ 2,793      | \$ 111,495,000                 | \$ 510,000                       |
| 2018           | 405,480,411                 | -                                         | 405,480,411             | 20,069      | 2,789         | 117,570,000                    | 1,000,000                        |
| 2017           | 114,662,851                 | (3,418,710)                               | 111,244,141             | 5,453       | 758           | 122,985,000                    | 1,455,141                        |
| 2016           | 140,365,702                 | (6,070,721)                               | 134,294,981             | 6,530       | 950           | 127,705,000                    | 1,895,283                        |
| 2015           | 161,985,745                 | (7,847,015)                               | 154,138,730             | 7,739       | 1,341         | 131,410,000                    | 2,320,425                        |
| 2014           | 188,175,000                 | (4,854,595)                               | 183,320,405             | 9,207       | 1,399         | 94,900,000                     | 5,882,366                        |
| 2013           | 201,521,712                 | (3,581,143)                               | 197,940,569             | 9,992       | 1,686         | 97,200,000                     | 5,628,130                        |
| 2012           | 217,576,712                 | (3,358,031)                               | 214,218,681             | 10,792      | 1,589         | 99,065,000                     | 5,105,060                        |
| 2011           | 234,111,712                 | (3,306,895)                               | 230,804,817             | 11,677      | 1,784         | 100,520,000                    | 6,538,184                        |
| 2010           | 250,616,712                 | (3,654,721)                               | 246,961,991             | 12,494      | 1,893         | 101,600,000                    | 4,799,266                        |

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements. Does not include OPEB debt.

| Capital<br>Leases | Notes<br>Payable | Qualified Energy<br>Conservation<br>Bond | Total Debt        |             |               | Total Net<br>Assessed<br>Valuation | Average<br>Daily<br>Membership |
|-------------------|------------------|------------------------------------------|-------------------|-------------|---------------|------------------------------------|--------------------------------|
|                   |                  |                                          | Total<br>District | Per<br>ADMw | Per<br>Capita |                                    |                                |
| \$ 2,523,294      | \$ -             | \$ 2,586,363                             | \$ 508,585,043    | \$ 25,161   | \$ 3,647      | \$ 15,915,917,572                  | 20,213                         |
| 2,862,571         | -                | 3,000,365                                | 529,913,347       | 26,228      | 3,644         | 15,503,796,073                     | 20,204                         |
| 3,059,088         | 335,102          | 3,406,866                                | 245,904,048       | 12,054      | 1,675         | 14,586,782,181                     | 20,400                         |
| 3,026,567         | 721,014          | 3,406,866                                | 277,120,432       | 13,475      | 1,936         | 14,019,008,427                     | 20,566                         |
| 2,039,383         | 1,089,976        | -                                        | 298,845,529       | 15,005      | 1,481         | 12,527,948,271                     | 19,917                         |
| -                 | -                | -                                        | 288,957,366       | 14,512      | 1,764         | 11,946,872,340                     | 19,911                         |
| -                 | -                | -                                        | 304,349,842       | 15,364      | 1,652         | 11,438,477,752                     | 19,809                         |
| -                 | -                | -                                        | 321,746,772       | 16,209      | 1,860         | 11,356,808,253                     | 19,850                         |
| -                 | -                | -                                        | 341,169,896       | 17,261      | 1,958         | 10,908,553,101                     | 19,765                         |
| -                 | -                | -                                        | 357,015,978       | 18,061      | 2,112         | 10,462,732,422                     | 19,767                         |

**HILLSBORO SCHOOL DISTRICT 1J**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**FOR THE YEAR ENDED JUNE 30, 2019**

| Overlapping Issuer                           | Net Property Tax<br>Backed Debt | Percent<br>Overlapping | Net<br>Overlapping<br>Debt |
|----------------------------------------------|---------------------------------|------------------------|----------------------------|
| Multnomah County                             | \$ 330,220,117                  | 0.0006%                | \$ 1,981                   |
| Metro                                        | 819,020,000                     | 6.2597%                | 51,268,195                 |
| Portland Community College                   | 602,297,900                     | 9.1090%                | 54,863,316                 |
| Washington County                            | 228,769,717                     | 22.8646%               | 52,307,281                 |
| Washington County SD 1J (Hillsboro 7 Bd)     | 461,390,000                     | 99.7717%               | 460,336,647                |
| Tualatin Hills Park & Recreation District    | 76,498,613                      | 1.7961%                | 1,373,992                  |
| Banks Fire District 13                       | 3,880,000                       | 2.2374%                | 86,811                     |
| Tualatin Valley Fire & Rescue District       | 26,055,000                      | 6.3268%                | 1,648,448                  |
| City of Hillsboro                            | 39,605,000                      | 87.5500%               | 34,674,178                 |
| City of North Plains                         | 200,000                         | 100.0000%              | 200,000                    |
| City of Cornelius                            | 806,000                         | 32.1778%               | 259,353                    |
| City of Beaverton                            | 34,133,680                      | 0.0486%                | 16,589                     |
| Washington County SD 48J (Beaverton)         | 996,146,084                     | 0.0077%                | 76,703                     |
| Subtotal, overlapping debt                   |                                 |                        | 657,113,494                |
| Direct District net property tax backed debt |                                 |                        | 508,585,043                |
| Total direct and overlapping debt            |                                 |                        | \$ 1,165,698,537           |

(1) The percentage of overlapping debt is estimated by dividing the value of the property in the overlapping area by the total value of property of the District.

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**HILLSBORO SCHOOL DISTRICT 1J**  
**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**  
**2010 Through 2019**

|                                                                      | 2019                           | 2018                           | 2017                           | 2016                           |
|----------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Debt Limit                                                           | \$ 2,769,931,244               | \$ 2,990,941,202               | \$ 2,715,928,535               | \$ 2,421,720,350               |
| Total net debt applicable to the limit                               | <u>343,800,000</u>             | <u>355,230,000</u>             | <u>114,395,000</u>             | <u>139,830,000</u>             |
| Legal debt margin                                                    | <u><u>\$ 2,426,131,244</u></u> | <u><u>\$ 2,635,711,202</u></u> | <u><u>\$ 2,601,533,535</u></u> | <u><u>\$ 2,281,890,350</u></u> |
| Total net debt applicable to the limit as a percentage of debt limit | 12.41%                         | 11.88%                         | 4.21%                          | 5.77%                          |

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

For each grade from Kindergarten to Eighth for which the District operates schools, fifty-five one-hundredths of one percent (0.0055) of the real market value.

For each grade from Ninth to Twelfth for which the District operates schools, seventy-five one-hundredths of one percent (0.0075) of the real market value.

|                                                        |              |
|--------------------------------------------------------|--------------|
| Allowable Percentage of Real Market Value:             |              |
| Kindergarten through Eighth Grade, $9 \times 0.0055 =$ | 4.95%        |
| Ninth through Twelfth Grade, $4 \times 0.0075 =$       | <u>3.00%</u> |
| Allowable Percentage                                   | 7.95%        |

| <u>2015</u>             | <u>2014</u>             | <u>2013</u>             | <u>2012</u>             | <u>2011</u>             | <u>2010</u>             |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 2,242,004,958        | \$ 1,951,376,163        | \$ 1,415,000,484        | \$ 1,497,006,122        | \$ 1,497,006,112        | \$ 1,514,893,129        |
| <u>163,325,000</u>      | <u>276,826,712</u>      | <u>298,721,712</u>      | <u>316,641,712</u>      | <u>334,631,712</u>      | <u>352,216,712</u>      |
| <u>\$ 2,078,679,958</u> | <u>\$ 1,674,549,451</u> | <u>\$ 1,116,278,772</u> | <u>\$ 1,180,364,410</u> | <u>\$ 1,162,374,400</u> | <u>\$ 1,162,676,417</u> |
| 7.28%                   | 14.19%                  | 21.11%                  | 21.15%                  | 22.35%                  | 23.25%                  |

**HILLSBORO SCHOOL DISTRICT 1J**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**  
**2010 Through 2019**

| Year | Population | Personal Income<br>(thousands of dollars)<br>(estimated) | Personal<br>Income | Unemployment<br>Rate |
|------|------------|----------------------------------------------------------|--------------------|----------------------|
| 2019 | 139,448    | \$5,322,033                                              | \$38,165           | 3.90%                |
| 2018 | 145,402    | 5,340,470                                                | 36,729             | 3.80%                |
| 2017 | 144,785    | 5,027,080                                                | 34,721             | 4.10%                |
| 2016 | 141,412    | 4,582,739                                                | 32,407             | 5.20%                |
| 2015 | 135,294    | 4,220,226                                                | 31,193             | 4.70%                |
| 2014 | 128,709    | 3,457,896                                                | 26,866             | 6.00%                |
| 2013 | 132,506    | 3,479,343                                                | 26,258             | 7.60%                |
| 2012 | 127,825    | 3,448,207                                                | 26,976             | 8.50%                |
| 2011 | 130,459    | 3,310,397                                                | 25,375             | 9.50%                |
| 2010 | 129,407    | 3,233,752                                                | 24,989             | 10.50%               |

**HILLSBORO SCHOOL DISTRICT 1J**  
**PRINCIPAL EMPLOYERS FOR THE PORTLAND, OREGON, METROPOLITAN AREA**  
**Current Year (2019) and Nine Years Ago (2010)**

| <u>Employer</u>                        | 2019             |             |                                               | 2010             |             |                                               |
|----------------------------------------|------------------|-------------|-----------------------------------------------|------------------|-------------|-----------------------------------------------|
|                                        | <u>Employees</u> | <u>Rank</u> | <u>Percentage of<br/>Total<br/>Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of<br/>Total<br/>Employment</u> |
| Ten Largest Employers:                 |                  |             |                                               |                  |             |                                               |
| Intel Corp.                            | 20,000           | 1           | 1.63%                                         | 15,141           | 1           | 1.54%                                         |
| Providence Health System               | 18,286           | 2           | 1.49%                                         | 13,825           | 2           | 1.41%                                         |
| Oregon Health & Science University     | 16,658           | 3           | 1.36%                                         | 12,700           | 3           | 1.29%                                         |
| Kaiser Permanente                      | 12,400           | 4           | 1.01%                                         | 8,759            | 5           | 0.89%                                         |
| Nike, Inc.                             | 12,000           | 5           | 0.98%                                         | 7,000            | 7           | 0.71%                                         |
| Legacy Health System                   | 11,250           | 6           | 0.92%                                         | 8,251            | 6           | 0.84%                                         |
| City of Portland                       | 9,710            | 7           | 0.79%                                         | -                | -           | -                                             |
| Fred Meyer Stores                      | 7,741            | 8           | 0.63%                                         | 9,630            | 4           | 0.98%                                         |
| Portland Public School                 | 7,600            | 9           | 0.62%                                         | -                | -           | -                                             |
| Beaverton School District              | 5,457            | 10          | 0.45%                                         | -                | -           | -                                             |
| Wells Fargo                            | -                | -           | -                                             | 5,010            | 8           | 0.51%                                         |
| US Bank                                | -                | -           | -                                             | 3,948            | 9           | 0.40%                                         |
| Daimler Trucks Northwest               | -                | -           | -                                             | 2,850            | 10          | 0.29%                                         |
| Subtotal of ten largest employers      | 121,102          |             | 9.90%                                         | 87,114           |             | 8.87%                                         |
| All Other Employers                    | 1,102,398        |             | 90.10%                                        | 895,286          |             | 91.13%                                        |
| Total Portland-Vancouver-Hillsboro MSA | 1,223,500        |             | 100.00%                                       | 982,400          |             | 100.00%                                       |

Source:

Oregon Employment Department: <https://www.qualityinfo.org/multnomah-and-washington>  
June 2019 Portland-Vancouver-Hillsboro MSA - Current Non-Farm Employment 1,223,500

**HILLSBORO SCHOOL DISTRICT 1J**  
**CERTIFIED, CLASSIFIED, AND ADMINISTRATIVE EMPLOYEES**  
**Last Ten Fiscal Years**  
**2010 Through 2019**

| <u>Fiscal Year</u> | <u>Certified</u> | <u>Classified</u> | <u>Administrative</u> | <u>Supervisory/<br/>Technical</u> | <u>Total</u> |
|--------------------|------------------|-------------------|-----------------------|-----------------------------------|--------------|
| 2019               | 1,156            | 1,167             | 77                    | 34                                | 2,434        |
| 2018               | 1,206            | 843               | 78                    | 33                                | 2,160        |
| 2017               | 1,106            | 859               | 75                    | 30                                | 2,070        |
| 2016               | 1,104            | 781               | 74                    | 30                                | 1,989        |
| 2015               | 1,050            | 777               | 77                    | 27                                | 1,931        |
| 2014               | 981              | 747               | 72                    | 32                                | 1,832        |
| 2013               | 981              | 766               | 68                    | 33                                | 1,848        |
| 2012               | 1,041            | 731               | 67                    | 29                                | 1,868        |
| 2011               | 1,103            | 748               | 76                    | 32                                | 1,959        |
| 2010               | 1,092            | 756               | 76                    | 34                                | 1,958        |

(1) Full-time equivalent (FTE) positions

Source:

Hillsboro School District 1J payroll records

**HILLSBORO SCHOOL DISTRICT 1J**  
**STUDENT ENROLLMENT STATISTICS**  
**Last Ten Fiscal Years**  
**2010 Through 2019**

| <u>Fiscal Year</u> | <u>Average Daily<br/>Membership</u> | <u>Percent Free<br/>and Reduced</u> | <u>Net Operating<br/>Expenditures<br/>per ADM</u> | <u>Student to<br/>Teacher Ratio</u> |
|--------------------|-------------------------------------|-------------------------------------|---------------------------------------------------|-------------------------------------|
| 2019               | 20,213                              | 44%                                 | \$ 10,894                                         | 17                                  |
| 2018               | 20,204                              | 49%                                 | 10,597                                            | 20                                  |
| 2017               | 20,400                              | 50%                                 | 10,589                                            | 18                                  |
| 2016               | 20,566                              | 50%                                 | 10,245                                            | 20                                  |
| 2015               | 19,917                              | 46%                                 | 9,899                                             | 20                                  |
| 2014               | 19,911                              | 49%                                 | 8,531                                             | 20                                  |
| 2013               | 19,809                              | 47%                                 | 8,140                                             | 19                                  |
| 2012               | 19,850                              | 49%                                 | 8,043                                             | 19                                  |
| 2011               | 19,765                              | 50%                                 | 7,996                                             | 18                                  |
| 2010               | 19,767                              | 50%                                 | 7,846                                             | 18                                  |

**HILLSBORO SCHOOL DISTRICT 1J**  
**STUDENT ENROLLMENT AND CAPITAL ASSET STATISTICS**  
**Last Ten Fiscal Years**  
**2010 Through 2019**

| School/(Year Opened)               | Square<br>Footage | Fiscal Year Enrollment |               |               |               |
|------------------------------------|-------------------|------------------------|---------------|---------------|---------------|
|                                    |                   | 2019                   | 2018          | 2017          | 2016          |
| Brookwood Elementary (1953)        | 43,041            | 335                    | 348           | 358           | 391           |
| Imlay Elementary (2002)            | 69,435            | 510                    | 520           | 530           | 543           |
| Butternut Creek Elementary (1977)  | 34,840            | 395                    | 404           | 402           | 403           |
| Patterson Elementary (2000)        | 69,435            | 456                    | 455           | 446           | 464           |
| Orengo Elementary (2000)           | 69,435            | 644                    | 631           | 654           | 636           |
| Indian Hills Elementary (1979)     | 40,219            | 475                    | 478           | 470           | 497           |
| Reedville Elementary (1922)        | 16,247            | 248                    | 260           | 235           | 247           |
| Eastwood Elementary (1978)         | 49,163            | 437                    | 452           | 476           | 506           |
| Farmington View Elementary (1950)  | 22,867            | 310                    | 309           | 307           | 295           |
| Free Orchards Elementary (2008)    | 73,500            | 361                    | 389           | 392           | 402           |
| Jackson Elementary (1990)          | 50,767            | 549                    | 566           | 560           | 530           |
| L.C. Tobias Elementary (1992)      | 50,000            | 449                    | 450           | 434           | 440           |
| Groner K - 8 (1949)                | 32,402            | 208                    | 234           | 219           | 153           |
| Lenox Elementary (1949)            | 51,074            | 499                    | 471           | 472           | 479           |
| McKinney Elementary (1970)         | 49,163            | 467                    | 490           | 465           | 462           |
| Minter Bridge Elementary (1980)    | 49,163            | 473                    | 473           | 474           | 508           |
| Moobery Elementary (1963)          | 49,496            | 427                    | 427           | 455           | 463           |
| North Plains Elementary (1954)     | 46,913            | 383                    | 353           | 330           | 299           |
| Rosdale Elementary (2009)          | 73,700            | 420                    | 439           | 432           | 403           |
| Quatama Elementary (2008)          | 73,100            | 509                    | 482           | 490           | 472           |
| Ladd Acres Elementary (1968)       | 60,825            | 539                    | 533           | 522           | 529           |
| Lincoln Street Elementary (2008)   | 73,400            | 482                    | 490           | 518           | 546           |
| W.L. Henry Elementary (1968)       | 52,813            | 362                    | 359           | 343           | 360           |
| West Union Elementary (1948)       | 42,757            | 370                    | 390           | 392           | 366           |
| Witch Hazel Elementary (2003)      | 69,435            | 519                    | 510           | 538           | 571           |
| Brown Middle School (1963)         | 95,414            | 726                    | 731           | 712           | 709           |
| Evergreen Middle School (1981)     | 120,000           | 796                    | 801           | 823           | 808           |
| Hillsboro Online Academy (2012)    | 8,500             | 195                    | 197           | 159           | 163           |
| South Meadows Middle School (2009) | 153,000           | 694                    | 700           | 721           | 720           |
| Poynter Middle School (1959)       | 83,200            | 745                    | 745           | 739           | 733           |
| Miller Ed Junior High (1959)       | 9,560             | -                      | -             | -             | -             |
| Century High School (1997)         | 265,000           | 1,533                  | 1,506         | 1,571         | 1,563         |
| Glencoe High School (1980)         | 240,000           | 1,476                  | 1,490         | 1,543         | 1,619         |
| Liberty High School (2003)         | 288,897           | 1,495                  | 1,477         | 1,499         | 1,506         |
| Hillsboro High School (1969)       | 253,652           | 1,249                  | 1,268         | 1,291         | 1,357         |
| Miller Ed High School (1958)       | 20,552            | 91                     | 82            | 65            | 64            |
|                                    |                   | <u>19,827</u>          | <u>19,910</u> | <u>20,037</u> | <u>20,207</u> |

Source:

From 4/1/19 K-12 Enrollment - HR Dept

| 2015          | 2014          | 2013          | 2012          | 2011          | 2010          |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 388           | 360           | 382           | 411           | 443           | 445           |
| 523           | 524           | 561           | 560           | 590           | 609           |
| 381           | 389           | 400           | 414           | 414           | 412           |
| 475           | 477           | 486           | 513           | 548           | 552           |
| 606           | 629           | 581           | 531           | 515           | 438           |
| 495           | 444           | 437           | 446           | 449           | 451           |
| 227           | 229           | 228           | 248           | 247           | 276           |
| 518           | 510           | 497           | 486           | 486           | 473           |
| 292           | 222           | 215           | 225           | 220           | 224           |
| 439           | 481           | 484           | 488           | 499           | 487           |
| 553           | 548           | 531           | 508           | 527           | 535           |
| 484           | 517           | 488           | 491           | 523           | 524           |
| 141           | 140           | 154           | 156           | 175           | 171           |
| 459           | 435           | 432           | 444           | 427           | 390           |
| 460           | 468           | 501           | 516           | 497           | 474           |
| 500           | 512           | 482           | 500           | 464           | 427           |
| 459           | 479           | 485           | 475           | 493           | 488           |
| 301           | 298           | 305           | 288           | 313           | 311           |
| 407           | 394           | 370           | 364           | 350           | 363           |
| 466           | 547           | 531           | 533           | 556           | 638           |
| 507           | 506           | 515           | 520           | 571           | 548           |
| 558           | 574           | 594           | 579           | 543           | 522           |
| 413           | 426           | 455           | 490           | 451           | 467           |
| 356           | 283           | 306           | 310           | 314           | 305           |
| 574           | 608           | 569           | 530           | 559           | 544           |
| 708           | 738           | 796           | 828           | 821           | 859           |
| 830           | 829           | 804           | 794           | 827           | 855           |
| 193           | 170           | 90            | -             | -             | -             |
| 730           | 747           | 740           | 800           | 748           | 750           |
| 769           | 746           | 722           | 690           | 706           | 678           |
| 6             | 17            | 22            | 14            | 19            | 22            |
| 1,611         | 1,669         | 1,631         | 1,674         | 1,584         | 1,537         |
| 1,612         | 1,615         | 1,603         | 1,594         | 1,580         | 1,554         |
| 1,491         | 1,429         | 1,399         | 1,362         | 1,289         | 1,244         |
| 1,340         | 1,352         | 1,361         | 1,418         | 1,426         | 1,470         |
| 58            | 57            | 76            | 77            | 72            | 60            |
| <u>20,330</u> | <u>20,369</u> | <u>20,233</u> | <u>20,277</u> | <u>20,246</u> | <u>20,103</u> |

**HILLSBORO SCHOOL DISTRICT 1J**  
**TEACHER DATA**  
**2018-19 SCHOOL YEAR**

| Education | Step | FTE   | Salary    |
|-----------|------|-------|-----------|
| BA        | A    | 13.30 | \$ 43,925 |
| BA        | B    | 8.72  | 45,769    |
| BA        | C    | 9.20  | 47,692    |
| BA        | D    | 19.64 | 49,695    |
| BA        | E    | 5.00  | 51,782    |
| BA        | F    | 6.00  | 53,957    |
| BA        | G    | 2.90  | 56,223    |
| BA        | H    | 3.00  | 58,585    |
| BA        | I    | 3.00  | 61,046    |
| BA        | J    | 24.08 | 63,609    |
| BA+24     | A    | 0.00  | 45,244    |
| BA+24     | B    | 2.00  | 47,144    |
| BA+24     | C    | 2.00  | 49,124    |
| BA+24     | D    | 4.00  | 51,188    |
| BA+24     | E    | 1.00  | 53,338    |
| BA+24     | F    | 2.00  | 55,578    |
| BA+24     | G    | 5.00  | 57,913    |
| BA+24     | H    | 3.00  | 60,344    |
| BA+24     | I    | 1.00  | 62,879    |
| BA+24     | J    | 10.90 | 65,520    |
| BA+45     | A    | 0.00  | 46,601    |
| BA+45     | B    | 0.00  | 48,558    |
| BA+45     | C    | 0.00  | 50,597    |
| BA+45     | D    | 3.83  | 52,723    |
| BA+45     | E    | 0.00  | 54,937    |
| BA+45     | F    | 0.80  | 57,244    |
| BA+45     | G    | 0.00  | 59,649    |
| BA+45     | H    | 1.00  | 62,154    |
| BA+45     | I    | 1.00  | 64,764    |
| BA+45     | J    | 1.00  | 67,484    |
| BA+45     | K    | 2.00  | 70,319    |
| BA+45     | L    | 1.00  | 73,272    |
| BA+45     | M    | 19.00 | 76,349    |
| MA        | A    | 31.10 | 48,001    |
| MA        | B    | 31.63 | 50,018    |
| MA        | C    | 36.00 | 52,118    |
| MA        | D    | 74.80 | 54,307    |
| MA        | E    | 23.80 | 56,588    |

| Education | Step | FTE    | Salary    |
|-----------|------|--------|-----------|
| MA        | F    | 19.00  | \$ 58,964 |
| MA        | G    | 13.23  | 61,441    |
| MA        | H    | 23.95  | 64,021    |
| MA        | I    | 22.00  | 66,711    |
| MA        | J    | 28.20  | 69,512    |
| MA        | K    | 18.80  | 72,432    |
| MA        | L    | 22.90  | 75,474    |
| MA        | M    | 22.97  | 78,644    |
| MA        | N    | 138.81 | 81,947    |
| MA+24     | A    | 0.00   | 49,440    |
| MA+24     | B    | 0.00   | 51,517    |
| MA+24     | C    | 4.00   | 53,681    |
| MA+24     | D    | 23.80  | 55,935    |
| MA+24     | E    | 7.00   | 58,284    |
| MA+24     | F    | 7.80   | 60,732    |
| MA+24     | G    | 7.50   | 63,283    |
| MA+24     | H    | 12.10  | 65,941    |
| MA+24     | I    | 12.17  | 68,710    |
| MA+24     | J    | 11.50  | 71,596    |
| MA+24     | K    | 15.00  | 74,603    |
| MA+24     | L    | 10.01  | 77,736    |
| MA+24     | M    | 10.70  | 81,001    |
| MA+24     | N    | 73.38  | 84,404    |
| MA+45     | A    | 0.00   | 50,922    |
| MA+45     | B    | 0.75   | 53,060    |
| MA+45     | C    | 1.00   | 55,289    |
| MA+45     | D    | 12.17  | 57,612    |
| MA+45     | E    | 9.67   | 60,031    |
| MA+45     | F    | 12.83  | 62,553    |
| MA+45     | G    | 14.00  | 65,180    |
| MA+45     | H    | 18.10  | 67,918    |
| MA+45     | I    | 19.80  | 70,770    |
| MA+45     | J    | 13.17  | 73,742    |
| MA+45     | K    | 17.60  | 76,840    |
| MA+45     | L    | 13.67  | 80,067    |
| MA+45     | M    | 17.67  | 83,429    |
| MA+45     | N    | 150.61 | 86,934    |
|           |      |        |           |



## GROVE, MUELLER & SWANK, P.C.

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

School Board  
Hillsboro School District 1J  
Hillsboro, Oregon

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 financial statements of the governmental activities and each major fund of the Hillsboro School District 1J, Washington County, Oregon, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2019.

#### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 District's 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

November 19, 2019



## GROVE, MUELLER & SWANK, P.C.

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### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE***

School Board  
Hillsboro School District 1J  
Hillsboro, Oregon

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

We have audited Hillsboro School District 1J's 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 District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's 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* (CFR) 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, Hillsboro School District 1J 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, 2019.

### ***Report on Internal Control over Compliance***

Management of the District 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 the District's 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 the District's 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.

### ***Purpose of this Report***

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.



CERTIFIED PUBLIC ACCOUNTANTS

November 19, 2019

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

| July 1, 2018 - June 30, 2019<br>Federal Grantor,<br>Program Title | Federal<br>CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Period<br>Begin Date      End Date |           | Revenue<br>and<br>Expenditures | Expenditures<br>to<br>Subrecipients |
|-------------------------------------------------------------------|---------------------------|-------------------------------------|-----------------------------------------------|-----------|--------------------------------|-------------------------------------|
| DEPARTMENT OF AGRICULTURE:                                        |                           |                                     |                                               |           |                                |                                     |
| Passed through Oregon Department of Education:                    |                           |                                     |                                               |           |                                |                                     |
| Child Nutrition Cluster                                           |                           |                                     |                                               |           |                                |                                     |
| School Breakfast Program (SBP)                                    | 10.553                    | 3408001                             | 7/1/2018                                      | 6/30/2019 | \$ 1,148,126                   | \$ -                                |
| National School Lunch Program (NSLP)                              | 10.555                    | 3408001                             | 7/1/2018                                      | 6/30/2019 | 4,788,141                      | -                                   |
| Summer Food Service Program For Children (SFSPC)                  | 10.559                    | 3408001                             | 7/1/2018                                      | 6/30/2019 | 165,022                        | -                                   |
| Total Pass-Through Programs from Child Nutrition Cluster          |                           |                                     |                                               |           | 6,101,289                      | -                                   |
| State Administrative Expenses for Child Nutrition                 | 10.560                    | 3408001                             | 7/1/2018                                      | 6/30/2019 | 14,161                         | -                                   |
| Pass-Through                                                      |                           |                                     |                                               |           | 14,161                         | -                                   |
| Total Pass-Through Programs from Department of Education          |                           |                                     |                                               |           | 6,115,450                      | -                                   |
| DEPARTMENT OF AGRICULTURE TOTAL                                   |                           |                                     |                                               |           | 6,115,450                      | -                                   |
| DEPARTMENT OF LABOR:                                              |                           |                                     |                                               |           |                                |                                     |
| Passed through Work Systems, Inc:                                 |                           |                                     |                                               |           |                                |                                     |
| WIOA Cluster                                                      |                           |                                     |                                               |           |                                |                                     |
| WIOA Dislocated Worker Formula Grants                             | 17.278                    | 18-50115                            | 7/1/2018                                      | 6/30/2019 | 14,875                         | 2,611                               |
| WIOA Youth Activities                                             | 17.259                    | 18-50115                            | 7/18/2019                                     | 6/30/2019 | 254,805                        | 25,619                              |
| Total Pass-Through Programs from WIOA Cluster                     |                           |                                     |                                               |           | 269,680                        | 28,230                              |
| H-1B Job Training Grants                                          | 17.268                    | 18-50115                            | 7/1/2018                                      | 6/30/2019 | 87,121                         | 42,544                              |
| Pass-Through                                                      |                           |                                     |                                               |           | 87,121                         | 42,544                              |
| Total Pass-Through Programs from Work Systems, Inc                |                           |                                     |                                               |           | 356,801                        | 70,774                              |
| DEPARTMENT OF LABOR TOTAL                                         |                           |                                     |                                               |           | 356,801                        | 70,774                              |
| DEPARTMENT OF ENVIRONMENTAL QUALITY:                              |                           |                                     |                                               |           |                                |                                     |
| State Clean Diesel Grant Program                                  | 66.040                    | 064-18                              | 11/22/2017                                    | 6/30/2019 | 40,000                         | -                                   |
| Direct Program                                                    |                           |                                     |                                               |           | 40,000                         | -                                   |
| Total Direct Programs                                             |                           |                                     |                                               |           | 40,000                         | -                                   |
| DEPARTMENT OF ENVIRONMENTAL QUALITY TOTAL                         |                           |                                     |                                               |           | 40,000                         | -                                   |
| DEPARTMENT OF EDUCATION:                                          |                           |                                     |                                               |           |                                |                                     |
| Indian Education Formula Grants                                   | 84.060                    | S060A182526                         | 7/1/2018                                      | 6/30/2019 | 29,356                         | -                                   |
| Direct Program                                                    |                           |                                     |                                               |           | 29,356                         | -                                   |
| Total Direct Programs                                             |                           |                                     |                                               |           | 29,356                         | -                                   |

See notes to the schedule of expenditures of federal awards

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

| July 1, 2018 - June 30, 2019<br>Federal Grantor,<br>Program Title                    | Federal<br>CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Period<br>Begin Date | End Date  | Revenue<br>and<br>Expenditures | Expenditures<br>to<br>Subrecipients |
|--------------------------------------------------------------------------------------|---------------------------|-------------------------------------|---------------------------------|-----------|--------------------------------|-------------------------------------|
| <b>Passed through the Office of Vocational Rehabilitation Services</b>               |                           |                                     |                                 |           |                                |                                     |
| <b>Rehabilitation Services - Vocational Rehabilitation Grants to States</b>          |                           |                                     |                                 |           |                                |                                     |
| Youth Transition Program                                                             | 84.126                    | 154911                              | 7/1/2017                        | 6/30/2019 | \$ 152,134                     | \$ -                                |
| <b>Total Pass-Through Programs from Office of Vocational Rehabilitation Services</b> |                           |                                     |                                 |           | <u>152,134</u>                 | <u>-</u>                            |
| <b>Passed through Oregon Department of Education:</b>                                |                           |                                     |                                 |           |                                |                                     |
| <b>Title I Grants to Local Educational Agencies (LEAs)</b>                           |                           |                                     |                                 |           |                                |                                     |
| Title IA                                                                             | 84.010                    | 45610                               | 7/1/2017                        | 9/30/2018 | 21,066                         | -                                   |
| Title IA                                                                             | 84.010                    | 50404                               | 7/1/2018                        | 9/30/2019 | 3,979,442                      | -                                   |
| Title ID                                                                             | 84.010                    | 50314                               | 7/1/2018                        | 9/30/2019 | 17,793                         | -                                   |
| Title IA/D - District Engagement                                                     | 84.010                    | 52035                               | 9/30/2018                       | 9/30/2020 | 46                             | -                                   |
| <b>Pass-Through</b>                                                                  |                           |                                     |                                 |           | <u>4,018,347</u>               | <u>-</u>                            |
| <b>Migrant Education - State Grant Program</b>                                       |                           |                                     |                                 |           |                                |                                     |
| Title IC - Migrant Education                                                         | 84.011                    | 44982                               | 7/1/2017                        | 9/30/2018 | 178,148                        | -                                   |
| Title IC - Migrant Education                                                         | 84.011                    | 49210                               | 7/1/2018                        | 9/30/2019 | 944,176                        | -                                   |
| Title IC - Migrant Education - Preschool                                             | 84.011                    | 49229                               | 7/1/2018                        | 9/30/2019 | 82,711                         | -                                   |
| Title IC - Migrant Education - Summer                                                | 84.011                    | 48627                               | 4/4/2018                        | 9/30/2018 | 387,109                        | -                                   |
| Title IC - Migrant Education - Summer                                                | 84.011                    | 52518                               | 3/15/2019                       | 9/30/2019 | 897                            | -                                   |
| Title IC - Migrant Education - Basic                                                 | 84.011                    | 48591                               | 4/1/2018                        | 9/30/2018 | 5,648                          | -                                   |
| <b>Pass-Through</b>                                                                  |                           |                                     |                                 |           | <u>1,598,689</u>               | <u>-</u>                            |
| <b>Office of Special Education and Rehabilitative Services</b>                       |                           |                                     |                                 |           |                                |                                     |
| <b>Special Education Cluster (IDEA)</b>                                              |                           |                                     |                                 |           |                                |                                     |
| <b>Special Education Grants to States (IDEA, Part B)</b>                             |                           |                                     |                                 |           |                                |                                     |
| IDEA - Part B Section 611                                                            | 84.027                    | 45189                               | 7/1/2017                        | 9/30/2019 | 1,184,762                      | -                                   |
| IDEA - Part B Section 611                                                            | 84.027                    | 49892                               | 7/1/2018                        | 9/30/2020 | 1,697,141                      | -                                   |
| IDEA Enhancement 2018-19                                                             | 84.027                    | 51278                               | 10/1/2018                       | 9/30/2019 | 12,731                         | -                                   |
| Extended Assessment 2018-19                                                          | 84.027                    | 49142                               | 7/1/2018                        | 6/30/2019 | 3,765                          | -                                   |
| SPR&I 2017-18                                                                        | 84.027                    | 44402                               | 7/1/2017                        | 9/30/2018 | 2,339                          | -                                   |
| SPR&I 2018-19                                                                        | 84.027                    | 49528                               | 7/1/2018                        | 6/30/2019 | 12,225                         | -                                   |
| IDEA - Part B Section 611 - PSO                                                      | 84.027                    | 52249                               | 7/1/2018                        | 9/30/2018 | 2,085                          | -                                   |
| <b>Pass-Through</b>                                                                  |                           |                                     |                                 |           | <u>2,915,048</u>               | <u>-</u>                            |
| <b>Special Education Preschool Grants (IDEA Preschool)</b>                           |                           |                                     |                                 |           |                                |                                     |
| IDEA - Part B Section 619 2018-19                                                    | 84.173                    | 45401                               | 7/1/2018                        | 9/30/2020 | 14,057                         | -                                   |
| <b>Pass-Through</b>                                                                  |                           |                                     |                                 |           | <u>14,057</u>                  | <u>-</u>                            |
| <b>Total Pass-Through Programs from Special Education Cluster (IDEA)</b>             |                           |                                     |                                 |           | <u>2,929,105</u>               | <u>-</u>                            |
| <b>Office of Career, Technical, and Adult Education</b>                              |                           |                                     |                                 |           |                                |                                     |
| <b>Career and Technical Education - Basic Grants to States</b>                       |                           |                                     |                                 |           |                                |                                     |
| Perkins Comprehensive Basic                                                          | 84.048                    | 44288                               | 7/1/2017                        | 9/30/2018 | 7,093                          | -                                   |
| Perkins Comprehensive Basic                                                          | 84.048                    | 48910                               | 7/1/2018                        | 9/30/2019 | 143,935                        | -                                   |
| <b>Pass-Through</b>                                                                  |                           |                                     |                                 |           | <u>151,028</u>                 | <u>-</u>                            |
| <b>Office of Educational Improvement and Innovation</b>                              |                           |                                     |                                 |           |                                |                                     |
| <b>Education for Homeless Children and Youth</b>                                     |                           |                                     |                                 |           |                                |                                     |
| McKinney Homeless                                                                    | 84.196                    | 46123                               | 7/1/2017                        | 9/30/2019 | 59,384                         | -                                   |
| <b>Pass-Through</b>                                                                  |                           |                                     |                                 |           | <u>59,384</u>                  | <u>-</u>                            |

See notes to the schedule of expenditures of federal awards

**HILLSBORO SCHOOL DISTRICT 1J**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

| July 1, 2018 - June 30, 2019<br>Federal Grantor,<br>Program Title                                           | Federal<br>CFDA<br>Number | Agency or<br>Pass-through<br>Number | Program<br>Period<br>Begin Date      End Date |           | Revenue<br>and<br>Expenditures | Expenditures<br>to<br>Subrecipients |
|-------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------------|-----------------------------------------------|-----------|--------------------------------|-------------------------------------|
| <b>English Language Acquisition State Grants</b>                                                            |                           |                                     |                                               |           |                                |                                     |
| Title III - Language Instruction                                                                            | 84.365                    | 44220                               | 7/1/2017                                      | 9/30/2018 | \$ 109,583                     | \$ -                                |
| Title III - Language Instruction                                                                            | 84.365                    | 50251                               | 7/1/2018                                      | 9/30/2019 | 450,473                        | -                                   |
| <b>Pass-Through</b>                                                                                         |                           |                                     |                                               |           | 560,056                        | -                                   |
| <b>Supporting Effective Instruction State Grants</b>                                                        |                           |                                     |                                               |           |                                |                                     |
| Title IIA - Teacher Quality                                                                                 | 84.367                    | 41329                               | 7/1/2016                                      | 9/30/2018 | 14,848                         | -                                   |
| Title IIA - Teacher Quality                                                                                 | 84.367                    | 45825                               | 7/1/2017                                      | 9/30/2018 | 64,323                         | -                                   |
| Title IIA - Teacher Quality                                                                                 | 84.367                    | 49322                               | 7/1/2018                                      | 9/30/2019 | 495,950                        | -                                   |
| <b>Pass-Through</b>                                                                                         |                           |                                     |                                               |           | 575,121                        | -                                   |
| <b>Student Support and Academic Enrichment Program</b>                                                      |                           |                                     |                                               |           |                                |                                     |
| Title IV-A Student Support and Academic Enrichment                                                          | 84.424                    | 50738                               | 7/1/2018                                      | 9/30/2019 | 192,569                        | -                                   |
| <b>Pass-Through</b>                                                                                         |                           |                                     |                                               |           | 192,569                        | -                                   |
| <b>Total Pass-Through from Oregon Department of Education</b>                                               |                           |                                     |                                               |           | 10,084,299                     | -                                   |
| <b>DEPARTMENT OF EDUCATION TOTAL</b>                                                                        |                           |                                     |                                               |           | 10,265,789                     | -                                   |
| <b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>                                                             |                           |                                     |                                               |           |                                |                                     |
| <b>Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program</b>                           |                           |                                     |                                               |           |                                |                                     |
| Office of Self Sufficiency Programs My Future-My Choice                                                     | 93.235                    | 157101                              | 7/1/2018                                      | 6/30/2019 | 22,905                         | -                                   |
| <b>Direct Program</b>                                                                                       |                           |                                     |                                               |           | 22,905                         | -                                   |
| <b>Total Direct Programs</b>                                                                                |                           |                                     |                                               |           | 22,905                         | -                                   |
| <b>Passed through the Oregon Department of Health and Human Services:</b>                                   |                           |                                     |                                               |           |                                |                                     |
| <b>CCDF Cluster</b>                                                                                         |                           |                                     |                                               |           |                                |                                     |
| Child Care and Development Block Grant                                                                      | 93.575                    | 156210                              | 1/1/2018                                      | 6/30/2019 | 37,889                         | -                                   |
| <b>Total Pass-Through Programs from CCDF Cluster through Oregon Department of Health and Human Services</b> |                           |                                     |                                               |           | 37,889                         | -                                   |
| <b>Passed through the Oregon Department of Education:</b>                                                   |                           |                                     |                                               |           |                                |                                     |
| <b>Administration for Children and Families</b>                                                             |                           |                                     |                                               |           |                                |                                     |
| Foster Care - Title IV-E                                                                                    | 93.658                    | 47430                               | 7/1/2017                                      | 6/30/2019 | 135,723                        | -                                   |
| <b>Total Pass-Through Programs from Oregon Department of Education</b>                                      |                           |                                     |                                               |           | 135,723                        | -                                   |
| <b>Passed through Washington County Health and Human Services:</b>                                          |                           |                                     |                                               |           |                                |                                     |
| Social Services Block Grant                                                                                 | 93.667                    | CA-18-1360                          | 7/1/2018                                      | 6/30/2019 | 20,000                         | -                                   |
| <b>Pass-Through</b>                                                                                         |                           |                                     |                                               |           | 20,000                         | -                                   |
| <b>Total Pass-Through from Washington County</b>                                                            |                           |                                     |                                               |           | 20,000                         | -                                   |
| <b>Passed through Northwest Regional Education Service District:</b>                                        |                           |                                     |                                               |           |                                |                                     |
| <b>Medicaid Cluster</b>                                                                                     |                           |                                     |                                               |           |                                |                                     |
| Medical Assistance Program, Title XIX                                                                       | 93.778                    | 2018-612-01                         | 7/1/2018                                      | 6/30/2019 | 312,626                        | -                                   |
| <b>Total Pass-Through Programs from Medicaid Cluster</b>                                                    |                           |                                     |                                               |           | 312,626                        | -                                   |
| <b>Total Pass-Through Programs from Northwest Regional ESD</b>                                              |                           |                                     |                                               |           | 312,626                        | -                                   |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                                                        |                           |                                     |                                               |           | 529,143                        | -                                   |
| <b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>                                                                   |                           |                                     |                                               |           | \$ 17,307,183                  | \$ 70,774                           |

See notes to the schedule of expenditures of federal awards

*Purpose of the Schedule*

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) is a supplementary schedule to the District’s financial statements and is presented for purposes of additional analysis. The information in this Schedule is presented in accordance with the 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 activities of the District, it is not intended to and does not present the financial position, changes in net position, or the operating funds’ revenues, expenditures and changes in fund balances of the District.

*SIGNIFICANT ACCOUNTING POLICIES*

*Basis of Presentation*

The information in the Schedule is presented in accordance with the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

*Indirect Cost Rate*

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

*Federal Financial Assistance*

Pursuant to Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, non-monetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

*Major Programs*

Uniform Guidance establishes criteria to be used in defining major federal financial assistance programs. Major programs for the District are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

*Reporting Entity*

The reporting entity is fully described in notes to the financial statements. Additionally, the Schedule includes all federal programs administered by the District for the year ended June 30, 2019.

*HILLSBORO SCHOOL DISTRICT 1J*  
*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*YEAR ENDED JUNE 30, 2019*

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*Revenue and Expenditure Recognition*

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting. Revenues are recorded as received in cash or on the accrual basis where measurable and available. Expenditures are recorded when the liability is incurred. Donated commodities are valued at their estimated fair value.

**HILLSBORO SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2019**

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**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

|                                                       |               |
|-------------------------------------------------------|---------------|
| Type of auditor's report issued:                      | Unmodified    |
| Internal control over financial reporting:            |               |
| • Material weakness(es) identified?                   | No            |
| • Significant deficiency(ies) identified?             | None reported |
| Noncompliance material to financial statements noted? | No            |

**Federal Awards**

|                                                                                                            |               |
|------------------------------------------------------------------------------------------------------------|---------------|
| Internal control over major federal programs:                                                              |               |
| • Material weakness(es) identified?                                                                        | No            |
| • Significant deficiency(ies) identified?                                                                  | None reported |
| Type of auditor's report issued on compliance for major federal programs:                                  | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No            |

Identification of major federal programs:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

10.553, 10.555 & 10.559  
84.010

Child Nutrition Cluster  
Title I Grants to Local Educational Agencies

|                                                                          |           |
|--------------------------------------------------------------------------|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee?                                   | No        |

**FINANCIAL STATEMENT FINDINGS**

None.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**HILLSBORO SCHOOL DISTRICT 1J, HILLSBORO, OREGON**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2019**

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**PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

**2018-001. Noncompliance and Significant Deficiency in Controls over Compliance with Oregon Budget Law**

*Condition:*

There was a lack of monitoring of expenditures in comparison to the adopted budget as amended for the 2017-18 year. This resulted in significant over-expenditures in the General and Special Revenue funds which is a violation of Oregon Local Budget Law.

*Criteria:*

As an Oregon municipality, the District is responsible to spend within their appropriations for the year in accordance with Oregon Local Budget Law.

*Cause of condition:*

District personnel responsible for reviewing expenditures compared to budget were not actively monitoring actual expenditures compared to appropriations by fund.

*Potential effect of condition:*

Expenditures in excess of appropriations could be made in violation of Oregon Budget Law.

*Context:*

Because an inordinate percentage of the District's payroll costs are paid in June each year, the District had expenditures in excess of appropriations totaling approximately \$11,264,000 in their General and Special Revenue funds for the year.

*Recommendation:*

The expenditures, and projections of expenditures, in each fund should be monitored with each fund's budget appropriations to prevent future over-expenditures.

*Management response:*

The corrective action plan components for this issue include technical and structured activity improvements. The District will be using an additional analytics software to monitor and project end-of-year expenditures by fund, function, and object. Additionally, management positions have been restructured to align monitoring of budget appropriations against actual expenditures. Another key step will be to adjust appropriations to include any targeted carryover identified in the prior year annual financial report.

*Current year update:*

Management has designed and implemented improved budget monitoring controls and processes to address this finding.

**PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

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## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS***

School Board  
Hillsboro School District 1J  
Hillsboro, Oregon

We have audited, 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, the basic financial statements of Hillsboro School District 1J, Washington County, Oregon (the District) as of and for the year ended June 30, 2019, and have issued our report thereon dated November 19, 2019.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its 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 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, except that expenditures exceeded appropriations as described in the notes to the financial statements.

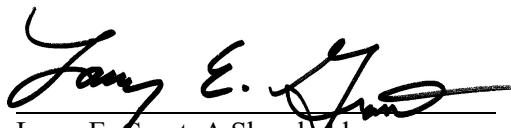
### ***Internal Control***

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

### ***Restriction on Use***

This report is intended solely for the information and use of the school board and management of the Hillsboro School District 1J and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*GROVE, MUELLER & SWANK, P.C.*  
*CERTIFIED PUBLIC ACCOUNTANTS*

By:   
Larry E. Grant, A Shareholder  
November 19, 2019