Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2018

Hillsboro School District 1J
Administration Center
3083 NE 49th Place
Hillsboro, OR 97124
www.hsd.k12.or.us

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

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the Fiscal Year Ended June 30, 2018

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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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

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HILLSBORO SCHOOL DISTRICT
BUSINESS OFFICE

December 11, 2018

Board of Directors
Hillsboro School District 1J
Washington County
3083 NE 49th 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, 2018.

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, 2018, 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 2017-18, management staff consisted of 1 superintendent, 2 assistant superintendents, 6 executive directors, 6 directors, 9 coordinators, 1 chief financial officer, 1 chief human resources officer, 1 capital projects officer, 1 chief communications officer, 1 chief operations officer, principals, and assistant-principals. The Board of Directors approves the hires of all management staff members.

The District also employs 1,206 teachers and 843 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 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 145,402. 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 674, or an average of approximately 0.35 percent per year during the last decade.

School Year	Average Daily Membership
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
08-09	19,530

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 PMSA with 19,300 employees.

The Oregon Employment Department report for June 2018 shows the PMSA unemployment rate at 4.0 percent. The May 2018 Oregon Economic and Revenue forecast, published by the Oregon Office of Economic Analysis, projects total state general fund net revenues increasing by 15.5 percent in the 2017-2019 biennium, 9.2 percent in the 2019-2021 biennium, and 5.5 percent in the 2021-2023 biennium.

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 long-term financial plan. The financial 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 2017-18 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 $8.15 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, 2017. This was the twenty-third 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 2018 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, 2017

Christopher P. Morrill

Executive Director/CEO

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

OFFICIALS OF THE DISTRICT

JUNE 30, 2018

BOARD OF DIRECTORS

Position	Name	Term Expiration
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.

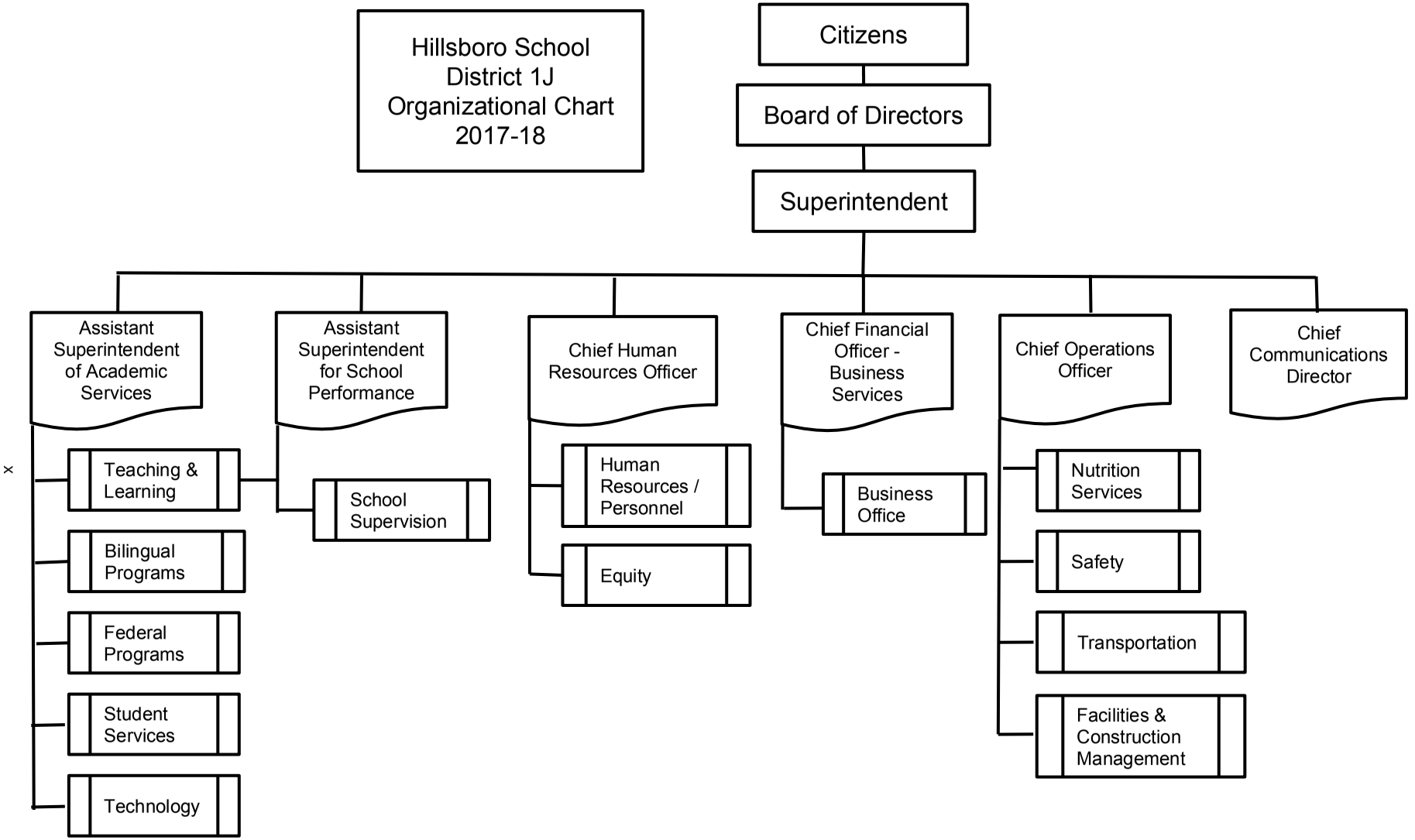
DISTRICT ADMINISTRATION

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

DISTRICT ADDRESS

3083 NE 49th Place, #200
Hillsboro, Oregon 97123

Hillsboro School District 1J Organizational Chart 2017-18



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, 2018, 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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter – Change in Accounting Principle

As discussed in notes to the basic financial statements, as of and for the year ended June 30, 2018, the District adopted new accounting guidance in implementing Government Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

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 the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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, individual fund financial statements and schedules, other financial schedules, 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, 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*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The individual fund financial statements and schedules, other financial schedules 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 December 11, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. 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 December 11, 2018, 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
December 11, 2018

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HILLSBORO SCHOOL DISTRICT 1J
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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 $60.3 million (net position). Of this amount, $132.5 million represents the District's net investment in capital assets, $7.9 million is restricted for special programs, and a ($200.8) million unrestricted balance. The District's overall net position has decreased from the 2017 *restated value by $11.0 million. The restated net position is primarily due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75. Please see Notes to the Basic Financial Statements, page 48 for details.
- For the fiscal year ended June 30, 2018, the District's total current and other assets increased by $304.7 million. This was due to the passing of a $408 million capital project levy by voters in November 2017 and the $320.0 million in proceeds from the first of two bond sale transactions.
- The District's governmental funds show a combined ending fund balance of $326.4 million, an increase of $300.7 million in comparison with the prior year. The increase is primarily attributable to the bond proceeds that will be used for new construction and remodeling of existing buildings. At the end of the fiscal year, the fund balance for the General Fund was $13.8 million, or about 6.5 percent of total General Fund expenditures.
- The District's total long-term debt increased by $276.0 million during the 2017-18 fiscal year, due to the issuance of a new general obligation bond series.

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 21 and 22 of this report.

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 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 25-28 of this report.

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 29-70 of this report.

Supplementary Information

Schedules presenting detailed budgetary information for individual funds and other supplementary information can be found on pages 71-94 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 $60.3 million at June 30, 2018.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 41.0 percent and cash and investments represent about 57.4 percent of total assets. The remaining assets consist mainly of grants and property taxes receivable.

The District's largest liability (73.1 percent) is for the repayment of long-term debt. Other liabilities, representing 26.9 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.

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Hillsboro School District 1J
Net Position
(in thousands)

	Governmental Activities			Increase (Decrease) From restated
	2018	2017*	2017	Fiscal 2017*
Current and other assets	$ 349,544	$ 44,809	$ 44,809	$ 304,735
Capital assets	242,707	234,430	234,430	8,277
Total assets	592,251	279,239	279,239	313,012
Deferred outflows of resources	79,369	115,234	115,234	(35,865)
Total assets and deferred outflows	671,620	394,473	394,473	277,147
Current and other liabilities	27,841	183,642	182,933	(155,801)
Long-term debt outstanding	697,484	253,912	253,912	443,572
Total liabilities	725,325	437,554	436,845	287,771
Deferred inflows of resources	6,622	6,249	6,249	373
Total liabilities and deferred inflows	731,947	443,803	443,094	288,144
Net position:				
Net investment in capital assets	132,524	114,595	114,595	17,929
Restricted	7,932	10,731	10,731	(2,799)
Unrestricted	(200,783)	(174,656)	(173,947)	(26,127)
Total net position	$ (60,327)	$ (49,330)	$ (48,621)	$ (10,997)

During the current fiscal year, the District's net position decreased by $11.0 million.

*Restated per GASB 75 see Notes to Basic Financial Statements, Note 14.

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

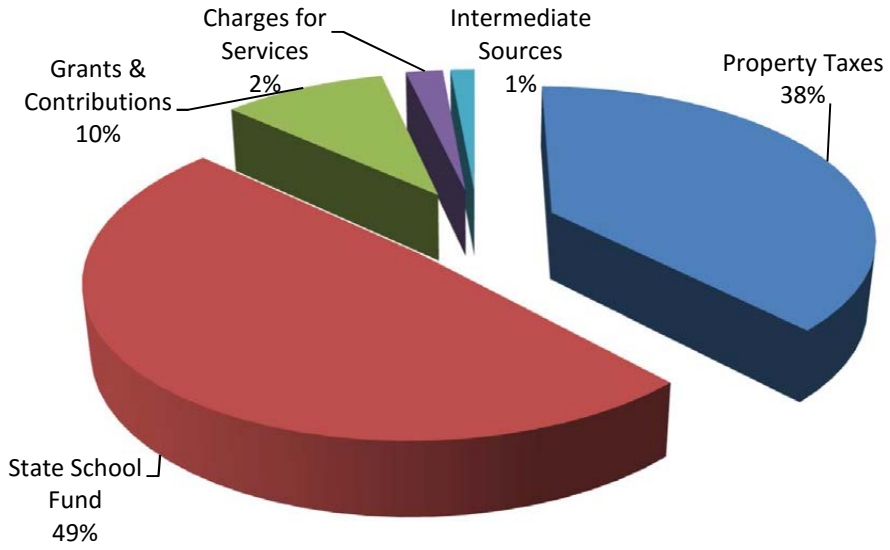
The key elements of the change in the District's net position for the year ended June 30, 2018, are as follows:

Hillsboro School District 1J
Changes in Net Position
(in thousands)

	Governmental Activities		Increase
	2018	2017	(Decrease)
Revenues:			
Program revenues:			
Charges for services	$ 5,994	$ 6,261	$ (267)
Operating grants and contributions	26,451	23,836	2,615
Capital grant and contributions	300	-	300
General revenues:			
Property taxes	103,874	100,872	3,002
State school fund – general support	134,002	125,998	8,004
Unrestricted state and local sources	3,899	3,683	216
Earnings on investments	1,588	794	794
Miscellaneous	393	185	208
Total Revenues	276,501	261,629	14,872
Expenses:			
Instruction	162,863	149,844	13,019
Support services	98,546	97,716	830
Enterprise and community services	10,288	10,128	160
Interest on long-term debt	15,801	11,802	3,999
Total Expenses	287,498	269,490	18,008
Increase (Decrease) in net position	(10,997)	(7,861)	(3,136)
Net position – July 1 (as restated)	(49,330)	(41,469)	(7,861)
Net position – June 30	$ (60,327)	$ (49,330)	$ (10,997)

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

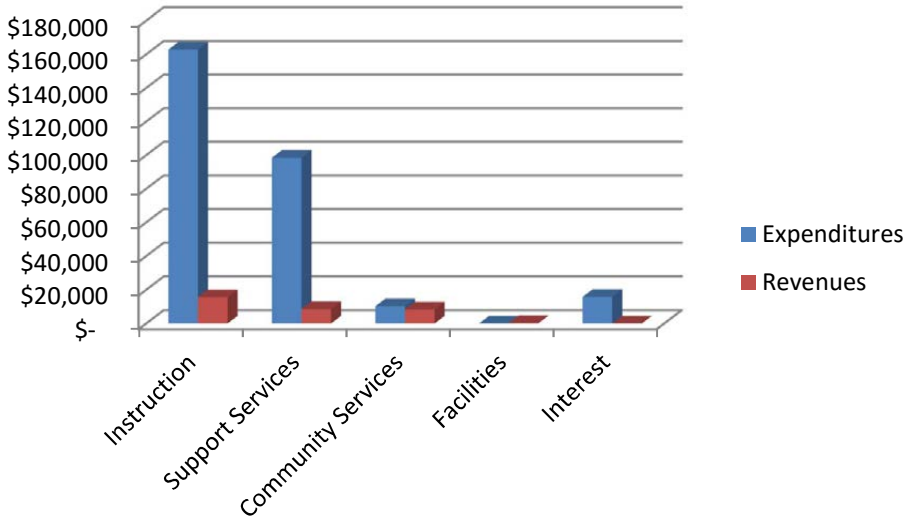
REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



- State School Fund revenue increased $8.0 million or 6.4 percent from 2016-17. This increase was due primarily to an overall increase in the State School Fund Funding Ratio from 1.599 to 1.718, resulting in additional dollars per student. The ratio increase was due to reconciliation of the state school fund and actual student enrollment.
- Property Taxes increased by $3.0 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.
- Grants and Contributions increased by $2.6 million from 2016-17. 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.

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES
(in thousands)



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, 2018, the District's governmental funds reported combined ending fund balances of $326.4 million, an increase of $300.7 million in comparison with the prior year. About $12.2 million (3.7 percent) of the ending fund balance constitutes an unassigned ending fund balance.

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

Governmental Funds (Continued)

About $312.3 million (95.7 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, 2018, the total fund balance was $13.8 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 6.5 percent of total General Fund expenditures.

The fund balance decreased by $0.9 million during the current fiscal year. This decrease was due primarily to a targeted reduction by .5 percent identified during the budget development period.

Special Revenue Fund

At June 30, 2018, the fund balance was $7.9 million, which is an increase of $0.4 million from the prior year. This increase was due to the increase in donations District-wide.

Debt Service Fund

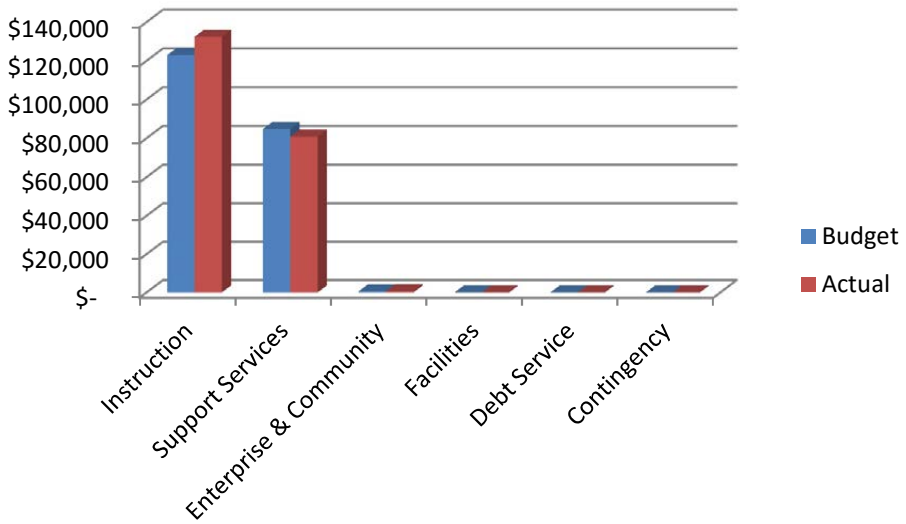
The Debt Service Fund has a total fund balance of $2.5 million, all of which is restricted for the payment of debt service. This represents a net increase in the fund balance from the prior year of $0.4 million. The $2.5 million level of carryover is adequate to address debt service requirements until property taxes are received in November.

Capital Projects Fund

The Capital Projects Fund has a total fund balance of $302.2 million, all of which is restricted for ongoing District capital projects and maintenance. This represents a net increase in the fund balance during the year of $300.8 million. The increase is attributable to bond sale proceeds from the first of two bond sales to generate revenue for new construction and remodeling of existing buildings per the ballot title.

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

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



5. GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund adopted budget for the fiscal year ended June 30, 2018, was decreased by $0.5 million during the fiscal year by appropriation changes that increased the budgeted ending fund balance. During the year, expenditures were $5.6 million more 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, 2018, the District had invested over $242 million in capital assets, net of depreciation, as shown in the following table:

Hillsboro School District 1J
Capital Assets
(in thousands)

	Governmental Activities		
	2018	2017	Increase (Decrease)
Land	$ 39,437	$ 39,437	$ -
Construction in progress	1,997	-	1,997
Buildings and improvements	186,563	184,512	2,051
Vehicles and equipment	14,710	10,481	4,229
Total	$ 242,707	$ 234,430	$ 8,277

During the year, the District's investment in capital assets increased by $8.3 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 41-42 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $529.9 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.

6. CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt (Continued)

Hillsboro School District 1J
Outstanding Debt
(in thousands)

	Governmental Activities		Increase/
	2018	2017*	(Decrease)
General obligation bonds	$ 405,480	$ 114,663	$ 290,817
Certificates of participation	1,000	1,455	(455)
Capital leases payable	2,863	3,059	(196)
Note payable	-	335	(335)
PERS pension bonds	117,570	122,985	(5,415)
Qualified energy conservation bond	3,000	3,407	(407)
	$ 529,913	$ 245,904	$ 284,009

*Restated per GASB 75 see Notes to Basic Financial Statements, Note 14.

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 to 7.95 percent of its total assessed valuation. The current debt limit for the District is $3.0 billion, which is significantly in excess of the District's outstanding general obligation debt of $355.2 million, excluding unamortized premiums.

Additional information on the District's long-term debt can be found in Note 7 on page 44-48 of this report.

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, 2018, the State School Fund – General Support provided 48.9 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. The District has established a PERS Reserve Fund, which currently has a balance of $1.0 million and is targeted for depletion by the end of the 2017-19 bienium. The PERS Reserve Fund was rolled into the General Fund for GAAP reporting purposes.

In 2015, The District was able to reach three-year agreements with both the licensed and classified bargaining units that concluded June 30, 2018. These multi-year contracts were the first the District had been able to reach since 2008, and help to bring the District back to competitive balance with other districts in our area. The Hillsboro Education Association (HEA) and Hillsboro Classified United (HCU) are both engaged in collective bargaining with the District for contract language and compensation. The District will continue to operate "status quo" under the most recent year of the agreement until the current bargain has been ratified by all parties.

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 49th Place #104, Hillsboro, OR 97124.

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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, 2018

ASSETS:	
Cash and investments	$ 339,721,239
Receivables	8,886,022
Supply inventory	458,738
Prepaid expenses	478,468
Capital assets:	
Not being depreciated	41,433,808
Being depreciated, net of accumulated depreciation	201,272,998
Total assets	592,251,273
DEFERRED OUTFLOWS OF RESOURCES:	
PERS deferred outflows	78,783,572
OPEB deferred outflows	585,850
Total deferred outflows of resources	79,369,422
Total assets and deferred outflows of resources	671,620,695
LIABILITIES:	
Accounts payable	7,095,959
Accrued payroll, payroll taxes and employee withholdings	12,530,521
Accrued interest payable	7,038,217
Construction retainage	134,880
Unearned revenue	520,757
Accrued compensated absences payable:	
Due within one year	390,382
Due in more than one year	130,127
Long-term debt:	
Due within one year	19,589,021
Due in more than one year	510,324,326
PERS net pension liability, due in more than one year	158,356,193
Net OPEB liability, due in more than one year	9,215,153
Total liabilities	725,325,536
DEFERRED INFLOWS OF RESOURCES:	
PERS deferred inflows	6,388,962
OPEB deferred inflows	233,475
Total deferred inflows of resources	6,622,437
Total liabilities and deferred inflows of resources	731,947,973
NET POSITION:	
Net investment in capital assets	132,523,519
Restricted for:	
Special programs	7,932,428
Unrestricted	(200,783,225)
Total net position	$ (60,327,278)

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

FUNCTION	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
Instruction	$ 162,864,021	$ 4,119,900	$ 11,469,126	$ -	$ (147,274,995)
Support services	98,545,523	230,761	8,329,519	-	(89,985,243)
Enterprise and community services	10,288,193	1,643,568	6,652,121	-	(1,992,504)
Facilities acquisition and construction	-	-	-	300,000	300,000
Interest on long-term debt	15,800,759	-	-	-	(15,800,759)
Total Governmental Activities	$ 287,498,497	$ 5,994,229	$ 26,450,766	$ 300,000	(254,753,502)
		GENERAL REVENUES:			
		Property taxes levied for general purposes			71,823,536
		Property taxes levied for debt service			32,050,326
		State School Fund - general support			134,002,096
		Unrestricted intermediate sources			3,899,102
		Earning on investments			1,588,315
		Miscellaneous			392,516
		TOTAL GENERAL REVENUES			243,755,891
		CHANGE IN NET POSITION			(10,997,611)
		NET POSITION, July 1, 2017 as originally reported			(48,621,310)
		Restatement (See Note 14)			(708,357)
		NET POSITION, July 1, 2017 as restated			(49,329,667)
		NET POSITION, JUNE 30, 2018			$ (60,327,278)

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, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS					
Cash and investments	$ 24,672,270	$ 4,375,089	$ 2,315,975	$ 308,357,905	$ 339,721,239
Receivables	3,886,361	3,846,283	1,153,378	-	8,886,022
Inventory	112,917	345,821	-	-	458,738
Prepaid items	478,468	-	-	-	478,468
TOTAL ASSETS	$ 29,150,016	$ 8,567,193	$ 3,469,353	$ 308,357,905	$ 349,544,467
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 926,808	$ 106,186	$ -	$ 6,062,965	$ 7,095,959
Accrued payroll, payroll taxes and employee withholdings	12,522,699	7,822	-	-	12,530,521
Construction retainage	-	-	-	134,880	134,880
Unearned revenue	-	520,757	-	-	520,757
TOTAL LIABILITIES	13,449,507	634,765	-	6,197,845	20,282,117
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	1,904,710	-	932,163	-	2,836,873
FUND BALANCES:					
Nonspendable					
Inventory	112,917	345,821	-	-	458,738
Prepaid items	478,468	-	-	-	478,468
Restricted for:					
Special Programs	-	7,586,607	-	-	7,586,607
Debt Services	-	-	2,537,190	-	2,537,190
Capital Projects	-	-	-	302,160,060	302,160,060
Assigned for:					
PERS reserve	1,000,000	-	-	-	1,000,000
Unassigned	12,204,414	-	-	-	12,204,414
TOTAL FUND BALANCES	13,795,799	7,932,428	2,537,190	302,160,060	326,425,477
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 29,150,016	$ 8,567,193	$ 3,469,353	$ 308,357,905	$ 349,544,467

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, 2018

TOTAL FUND BALANCES		$ 326,425,477
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Capital assets	$ 417,920,732	
Accumulated depreciation	(175,213,926)	
		242,706,806
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.		2,836,873
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.		(520,509)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(7,038,217)
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)	(405,480,411)	
Certificates of participation payable (net of discount)	(1,000,000)	
Capital leases payable	(2,862,571)	
Qualified Energy Conservation Bond	(3,000,365)	
PERS pension bonds payable	(117,570,000)	
		(529,913,347)
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 net pension liability	(158,356,193)	
PERS deferred outflow of resources	78,783,572	
PERS deferred inflow of resources	(6,388,962)	
		(85,961,583)
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:		
Net OPEB liability	(9,215,153)	
OPEB deferred outflow of resources	585,850	
OPEB deferred inflow of resources	(233,475)	
		(8,862,778)
TOTAL NET POSITION		$ (60,327,278)

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, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:					
Local sources:					
Property taxes	$ 72,653,546	$ -	$ 32,456,532	$ -	$ 105,110,078
Charges for services	602,161	5,332,068	-	-	5,934,229
Interest on investments	992,253	-	338,934	257,128	1,588,315
Contributions and donations	150	1,414,914	10,872,090	-	12,287,154
Services provided to other funds	33,073	741,735	-	-	774,808
Other	575,464	1,163,834	-	300,000	2,039,298
Intermediate sources	3,899,102	1,383,835	-	-	5,282,937
State sources	134,002,096	4,588,731	-	-	138,590,827
Federal sources	-	17,429,206	-	-	17,429,206
Total Revenues	212,757,845	32,054,323	43,667,556	557,128	289,036,852
EXPENDITURES:					
Current:					
Instruction	132,338,867	12,423,468	-	-	144,762,335
Support services	79,652,158	8,405,536	-	996,120	89,053,814
Enterprise and community services	661,816	8,894,845	-	-	9,556,661
Facilities acquisition and construction	-	64,507	-	5,186,001	5,250,508
Capital outlay	1,141,858	1,757,457	-	13,215,097	16,114,412
Debt service:					
Other	(886)	-	858	-	(28)
Principal	-	1,368,267	32,975,000	335,102	34,678,369
Interest	-	95,273	10,276,974	6,950	10,379,197
Total Expenditures	213,793,813	33,009,353	43,252,832	19,739,270	309,795,268
Excess (deficiency) of revenues over expenditures	(1,035,968)	(955,030)	414,724	(19,182,142)	(20,758,416)
OTHER FINANCING SOURCES (USES):					
Bonds issued	-	-	-	268,395,000	268,395,000
Premium on bonds issued	-	-	-	51,600,506	51,600,506
Proceeds from capital lease	-	1,297,074	-	-	1,297,074
Sale or compensation for loss of capital assets	120,693	8,024	-	-	128,717
Total Other Financing Sources (Uses)	120,693	1,305,098	-	319,995,506	321,421,297
NET CHANGE IN FUND BALANCES	(915,275)	350,068	414,724	300,813,364	300,662,881
FUND BALANCES, July 1, 2017	14,711,074	7,582,360	2,122,466	1,346,696	25,762,596
FUND BALANCES, June 30, 2018	$ 13,795,799	$ 7,932,428	$ 2,537,190	$ 302,160,060	$ 326,425,477

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, 2018

NET CHANGES IN FUND BALANCES		$ 300,662,881
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	$ 16,114,412	
Less current year depreciation expense	(7,837,704)	
		8,276,708
Recognition of the interest expense associated with the current year portion of bond refunding is recognized in the Statement of Activities but does not affect the fund balance in the governmental funds.		(1,736,563)
Interest payable is not accrued in the governmental funds, but is accrued in the government-wide statements.		(6,729,428)
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.		(99,308)
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 issued	(319,995,506)	
Debt principal repaid	34,186,603	
Amortization expense	1,617,946	
Unamortized discount	(14,859)	
		(284,205,816)
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	(1,294,571)	
Debt principal repaid	1,491,088	
		196,517
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.		(1,236,216)
In the Statement of Activities, pension expense is adjusted based upon the actuarially determined contribution changes		(25,980,188)
In the Statement of Activities, OPEB expense is adjusted based upon the actuarially determined contribution changes		(146,198)
CHANGE IN NET POSITION		$ (10,997,611)

The accompanying notes are an integral part of this statement.

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.

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.

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.

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.

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 total liability for compensated absences due is $520,509. The District estimates that 75% of the total liability, $390,382, will be due within one year. Compensated leave balances carry over beyond the current year if unused.

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.

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

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 General Fund, Instruction and Enterprise and Community Services were over-expended by $9,426,042 and $52,487 respectively; in the Special Revenue Fund, Support Services and Facilities Acquisitions and Construction were over-expended by $1,576,471 and $209,175 respectively; and in the Capital Projects Fund, Support Services and Debt Service were over-expended by $996,120 and $342,052, respectively.

Capital Project Fund over expenditures are not in violation of budget law. Per ORS (294.338(4)) bond proceeds or debt service are exempt from local budget law appropriation requirements if they are expended in the same fiscal year as the voter authorization was passed. All other over expenditures noted above represent violations of Oregon Budget Law.

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, 2018:

Cash on Hand	$ 2,072
Deposits with financial institutions:	
Demand Deposits	36,507,068
Money Market	1,212,982
Certificates of Deposit	332,140
Investments	301,666,977
Total	$ 339,721,239

2. CASH AND INVESTMENTS (Continued)

Deposits

The District's deposits with various financial institutions at year end had a bank value of $47,931,006, and a book value of $38,052,189. 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, 2018, $45,098,034 of the District's bank balances were covered by the PFCP, and $1,582,972 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

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, 2018.

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, 2018. 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, 2018, the District had the following investments and maturities:

		Investment Maturities (in months)		
Investment Type	Fair Value	Less than 3	3-17	18-59
U.S. Treasury Securities	$ 290,929,526	$ 290,929,526	$ -	$ -
State Treasurer's Investment Pool	10,737,451	10,737,451	-	-
Total	$ 301,666,977	$ 301,666,977	$ -	$ -

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.

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:

Maturity	Minimum to Mature
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, 2018, 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.

3. RECEIVABLES (Continued)

Receivables are comprised of the following:

Property taxes	$ 3,543,780
Grants	3,846,283
Interest and other	1,495,959
Total	$ 8,886,022

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 39,436,753	$ -	$ -	$ 39,436,753
Construction in progress	-	1,997,055	-	1,997,055
Total capital assets not being depreciated	39,436,753	1,997,055	-	41,433,808
Capital assets being depreciated:				
Building and improvements	312,116,338	8,339,593	-	320,455,931
Original furniture and fixtures	23,489,957	-	-	23,489,957
Equipment	3,923,950	125,800	-	4,049,750
Motor vehicles	19,083,792	1,662,988	(620,833)	20,125,947
Information technology equipment	4,376,363	3,988,976	-	8,365,339
Total capital assets being depreciated	362,990,400	14,117,357	(620,833)	376,486,924
Less accumulated depreciation for:				
Building and improvements	(127,603,779)	(6,288,705)	-	(133,892,484)
Original furniture and fixtures	(20,740,871)	(351,326)	-	(21,092,197)
Equipment	(2,795,589)	(95,718)	-	(2,891,307)
Motor vehicles	(13,367,170)	(673,701)	620,833	(13,420,038)
Information technology equipment	(3,489,646)	(428,254)	-	(3,917,900)
Total accumulated depreciation	(167,997,055)	(7,837,704)	620,833	(175,213,926)
Total capital assets being depreciated, net	194,993,345	6,279,653	-	201,272,998
Total capital assets, net	$ 234,430,098	$ 8,276,708	$ -	$ 242,706,806

4. CAPITAL ASSETS (Continued)

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

Program		
Instruction	$	4,662,001
Support Services		2,867,935
Enterprise and Community Services		307,768
Total Depreciation	$	7,837,704

5. COMPENSATED ABSENCES

Activity for compensated absences for the year ended June 30, 2018 is as follows:

Balance July 1, 2017	$	421,201
Additions		520,509
Payments		(421,201)
Balance June 30, 2018	$	520,509
Due Within One Year	$	390,382

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

6. CAPITAL LEASES

The District entered into lease agreements as lessee for financing the acquisition of buses for student transportation. 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 $3.1 million to $2.9 million. The leased buses have a cost of $7.5 million, and a net book value of $2.9 million, and accumulated depreciation of $4.6 million at June 30, 2018. 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.

6. CAPITAL LEASES (Continued)

Description	Original Issue	Outstanding July 1, 2017	Additions	Matured and Redeemed	Outstanding June 30, 2018	Due Within One Year
2013-14 US Bank Bus Lease Purchase	$ 1,507,649	$ 306,886	$ -	$ 306,886	$ -	$ -
2014-15 US Bank Bus Lease Purchase	1,430,050	576,537	-	285,935	290,602	290,602
2015-16 US Bank Bus Lease Purchase	1,967,423	1,180,221	-	386,653	793,568	393,368
2016-17 US Bank Bus Lease Purchase	1,254,560	995,444	-	242,840	752,604	246,811
2017-18 US Bank Bus Lease Purchase	1,294,571	-	1,294,571	268,774	1,025,797	249,238
Total	$ 7,454,253	$ 3,059,088	$ 1,294,571	$ 1,491,088	$ 2,862,571	$ 1,180,019

Future minimum lease payments are as follows:

June 30,	Principal	Interest
2019	$ 1,180,019	$ 50,366
2020	905,031	30,010
2021	513,769	14,120
2022	263,752	5,023
Total	$ 2,862,571	$ 99,519

7. LONG-TERM DEBT

Long-term debt is comprised of:

	Total	Due Within One Year
Bonds payable	$ 405,480,411	$ 11,430,000
Certificates of participation	1,000,000	490,000
Capital leases payable	2,862,571	1,180,019
PERS pension bonds	117,570,000	6,075,000
Qualified Energy Conservation Bond	3,000,365	414,002
Balance June 30, 2018	529,913,347	$ 19,589,021
Due within one year	19,589,021	
Due in more than one year	$ 510,324,326	

7. LONG-TERM DEBT (Continued)

Bonds Payable

Bonds payable transactions for the year are as follows:

Description	Original Issue	Outstanding July 1, 2017	Additions	Matured and Redeemed	Outstanding June 30, 2018	Due Within One Year
Hillsboro School District 1J, refunding issue May 2005, interest rate 3.7-5.12%	$78,055,000	$12,105,000	$ -	$12,105,000	$ -	$ -
Hillsboro School District 1J, issued November 20, 2012, interest rate 1.5-5.0%	98,950,000	97,220,000	-	10,385,000	86,835,000	11,130,000
Hillsboro School District 1J, refunding issue August 2014, interest rate 0.88%	18,290,000	5,070,000	-	5,070,000	-	-
Hillsboro School District 1J, GO Bonds, Series 2017, interest rate 3.0-5.0%	268,395,000	-	268,395,000	-	268,395,000	300,000
Total	463,690,000	114,395,000	268,395,000	27,560,000	355,230,000	11,430,000
Unamortized Premium	-	267,851	51,600,506	1,617,946	50,250,411	-
Grand Total	$463,690,000	$114,662,851	$319,995,506	$ 29,177,946	$405,480,411	$11,430,000

The District passed a $408 million capital project levy in November 2017. The District issued a $268.4 million general obligation bond series during the 2017-18 fiscal year and realized an unamortized premium of $51.6 million.

7. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Future maturities of bond principal and interest are as follows:

For the Year Ending June 30,	Principal	Interest
2019	$ 11,430,000	$ 23,211,049
2020	20,010,000	16,377,125
2021	13,480,000	15,526,725
2022	15,220,000	14,949,000
2023	16,960,000	14,343,150
2024-28	97,370,000	58,735,400
2029-33	69,560,000	38,936,500
2034-38	111,200,000	17,653,250
	$ 355,230,000	$ 199,732,199

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, 2018, all defeased bonds have been called and none remain outstanding.

Other Long-Term Debt

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.

7. LONG-TERM DEBT (Continued)

Other Long-Term Debt (Continued)

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.

Description	Outstanding July 1, 2017	Increases	Decreases	Outstanding June 30, 2018	Due within One Year
Certificate of Participation	$ 1,470,000	$ -	$ 470,000	$ 1,000,000	$ 490,000
Unamortized Discount	(14,859)	-	14,859	-	-
Net COPs	1,455,141	-	455,141	1,000,000	490,000
Note Payable	335,102	-	335,102	-	-
PERS Pension Bonds	122,985,000	-	5,415,000	117,570,000	6,075,000
Qualified Energy Conservation Bonds	3,406,866	-	406,501	3,000,365	414,002
Total	$ 128,182,109	$ -	$ 6,611,744	$ 121,570,365	$ 6,979,002

7. LONG-TERM DEBT (Continued)

Other Long-Term Debt (Continued)

Future maturities of principal and interest are as follows:

Year Ending June 30,	Principal	Interest
2019	$ 6,979,002	$ 5,438,937
2020	7,916,684	5,145,095
2021	8,284,554	4,809,877
2022	8,961,807	4,449,623
2023	9,924,179	4,051,671
2024-28	59,492,465	12,436,588
2029-33	17,891,674	2,889,635
2034	2,120,000	92,326
Total	$ 121,570,365	$ 39,313,752

8. 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, 2017 (the measurement period).

8. 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 Subsidy Plan	PERS RHIA Plan	Total OPEB On Financials
Net OPEB Asset	$ -	$ 491,786	$ 491,786
Deferred Outflows of Resources			
Contributions After the Measurement Date	-	585,850	585,850
Total OPEB Liability	(9,706,939)	-	(9,706,939)
Deferred Inflows of Resources			
Change in Proportionate Share	-	(5,708)	(5,708)
Difference in Earnings	-	(227,767)	(227,767)
OPEB Expense (Included in program expenses on Statement of Activities)	726,729	(580,531)	146,198

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.

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

Implicit Rate Subsidy (Medical) (Continued)

Plan Description (Continued)

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 $9,706,939 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

For the fiscal year ended June 30, 2018 the District recognized OPEB expense from this plan of $726,729.

Actuarial Assumptions and Other Inputs

Valuation date	July 1, 2017
Measurement date	June 30, 2018
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.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of July 1, 2017	$ 8,980,210
Changes for the year:	
Service cost	715,180
Interest on Total OPEB Liability	321,401
Benefit payments	(309,852)
Balance as of June 30, 2018	$ 9,706,939

8. 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.

Discount Rate	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	$ 10,615,568	$ 9,706,939	$ 8,872,214

Healthcare Cost Trend	1% Decrease (6.00% Graded Down to 4.00%)	Current Trend Rate (7.00% Graded Down to 5.00%)	1% Increase (8.00% Graded Down to 6.00%)
Total OPEB Liability	$ 8,433,971	$ 9,706,939	$ 11,244,507

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. The plan is closed to new entrants hired after August 29, 2003. 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://Oregon.gov/PERS/section/financial_reports/financials.shtml

Benefits Provided

RHIA was created by enabling legislation (ORS 238.420); therefore, contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to $60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, be paid from the RHIA established by the employer, and any monthly cost in excess of $60 shall be paid by the eligible retired member in the manner provided in

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

PERS Retirement Health Insurance Account (Continued)

Benefits Provided (Continued)

ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

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, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. The District's total for the year ended June 30, 2018 contributions was $585,850.

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

At June 30, 2018, the District reported an asset of $491,786 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to June 30, 2017. 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, 2017, the District's proportionate share was 1.18%, which is a decrease from its proportion of 1.21% as of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB revenue from this plan of $580,531. At June 30, 2018, the District reported deferred outflows and deferred inflows of resources related to the OPEB plan from the following sources:

8. 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, 2018

	Deferred Outflow of Resources	Deferred (Inflow) of Resources	Net Outflow (Inflow) of Resources
Differences between expected and actual experience	$ -	$ -	$ -
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on investments	-	(227,767)	(227,767)
Changes in proportionate share	-	(5,708)	(5,708)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-
Subtotal-Amortized Deferrals	-	(233,475)	$ (233,475)
District contributions subsequent to measurement date	585,850	-	
Net deferred outflow(inflow) of resources	$ 585,850	$ (233,475)	

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
2019	$ (59,056)
2020	(59,056)
2021	(58,422)
2022	(56,942)
Total	$ (233,475)

All assumptions, methods and plan provisions used in these calculation are described in the Oregon PERS system-wide GASB 75 reporting summary dated March 20, 2018.

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

PERS Retirement Health Insurance Account (Continued)

Actuarial Methods and Assumptions

Valuation date	December 31, 2015
Measurement date	June 30, 2017
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 percent
Retiree healthcare participation	Varies by service at decrement, increasing from 10% at eight years of service to 38% at 30 years of service.
Healthcare cost trend rate	Applied at beginning of plan year, starting with 6.3% for 2016, decreasing to 5.3% for 2019, increasing to 6.5% for 2029, and decreasing to an ultimate rate of 4.4% for 2094 and beyond
Mortality	**Healthy retirees and beneficiaries:** RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. **Active members:** Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. **Disabled retirees:** 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, 2017 PERS CAFR; page 68)

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 2014 experience study which reviewed experience for the four-year period ending on December 31, 2014.

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

PERS Retirement Health Insurance Account (Continued)

Actuarial Methods and Assumptions (Continued)

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.

TABLE 34

Long-Term Expected Rate of Return Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00 %	4.10 %	4.00 %	4.68 %
Short-Term Bonds	8.00	3.65	3.61	2.74
Bank/Leveraged Loans	3.00	5.69	5.42	7.82
High Yield Bonds	1.00	6.67	6.20	10.28
Large/Mid Cap US Equities	15.75	7.96	6.70	17.07
Small Cap US Equities	1.31	8.93	6.99	21.35
Micro Cap US Equities	1.31	9.37	7.01	23.72
Developed Foreign Equities	13.13	8.34	6.73	19.40
Emerging Market Equities	4.12	10.56	7.25	28.45
Non-US Small Cap Equities	1.88	9.01	7.22	20.55
Private Equity	17.50	11.60	7.97	30.00
Real Estate (Property)	10.00	6.48	5.84	12.00
Real Estate (REITS)	2.50	8.74	6.69	22.02
Hedge Fund of Funds – Diversified	2.50	4.94	4.64	8.09
Hedge Fund – Event-driven	0.63	7.07	6.72	8.90
Timber	1.88	6.60	5.85	13.00
Farmland	1.88	7.11	6.37	13.00
Infrastructure	3.75	8.31	7.13	16.50
Commodities	1.88	6.07	4.58	18.40
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 December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.

(Source: June 30, 2017 PERS CAFR; page 69; Table 34)

8. 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 7.50% 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, 2017

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
OPEB – RHIA	$ 68,554	$ (491,786)	$ (968,388)

Sensitivity of Net OPEB Liability/(Asset) in the Healthcare Trend as of June 30, 2017

	1% Decrease	Current Healthcare Trend Rate	1% Increase
OPEB – RHIA	$ (491,786)	$ (491,786)	$ (491,786)

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. 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

9. PENSION PLAN (Continued)

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. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation, if 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.
- **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 equity investments. Under ORS 238.360, monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0 percent.

9. PENSION PLAN (Continued)

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.
- **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.

9. PENSION PLAN (Continued)

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, 2018, were $15,193,032, excluding amounts to fund employer specific liabilities. Approximately $10,869,933 was charged for the year ended June 30, 2018, as PERS benefits expenditures to be used for bond payments as they become due. Approximately $25,980,188 was recognized as employer pension expense during the reporting period.

At June 30, 2018, the District reported a net pension liability of $158,356,193 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2015, 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, 2015, the District's proportion was 1.17 percent.

9. PENSION PLAN (Continued)

Contributions (Continued)

PERS Schedule of Pension Amounts under GASB 68
June 30, 2018

	Deferred Outflow of Resources	Deferred (Inflow) of Resources	Net Outflow (Inflow) of Resources
Differences between expected and actual experience	$ 7,658,173	$ -	
Changes of assumptions	28,865,509	-	
Net difference between projected and actual earnings on investments	1,631,440	-	
Changes in proportionate share	6,753,640	(3,161,059)	
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,681,778	(3,227,903)	
Subtotal-Amortized Deferrals	63,590,540	(6,388,962)	$ 57,201,578
District contributions subsequent to measurement date	15,193,032	-	
Net deferred outflow(inflow) of resources	$ 78,783,572	$ (6,388,962)	

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
2019	$ 14,744,112
2020	27,714,879
2021	17,427,408
2022	(3,067,062)
2023	382,241
Total	$ 57,201,578

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB Statement 68 reporting summary dated February 20, 2018. Oregon PERS produces an independently audited CAFR which can be found at: http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

9. PENSION PLAN (Continued)

Actuarial Valuations

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

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

9. PENSION PLAN (Continued)

Actuarial Methods and Assumptions

Valuation date	December 31, 2015
Measurement date	June 30, 2017
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 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	**Healthy retirees and beneficiaries:** RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. **Active members:** Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. **Disabled retirees:** 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, 2017 PERS CAFR; page 65)

The actuarial valuation calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members. The December 31, 2015 Actuarial Valuation was used to develop the GASB 67 financial reporting results for the Defined Benefits programs as of June 30, 2017.

9. PENSION PLAN (Continued)

Actuarial Methods and Assumptions (Continued)

- **Discount Rate.** The discount rate used to measure the total pension liability was 7.50 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

- **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 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 34

Long-Term Expected Rate of Return Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00 %	4.10 %	4.00 %	4.68 %
Short-Term Bonds	8.00	3.65	3.61	2.74
Bank/Leveraged Loans	3.00	5.69	5.42	7.82
High Yield Bonds	1.00	6.67	6.20	10.28
Large/Mid Cap US Equities	15.75	7.96	6.70	17.07
Small Cap US Equities	1.31	8.93	6.99	21.35
Micro Cap US Equities	1.31	9.37	7.01	23.72
Developed Foreign Equities	13.13	8.34	6.73	19.40
Emerging Market Equities	4.12	10.56	7.25	28.45
Non-US Small Cap Equities	1.88	9.01	7.22	20.55
Private Equity	17.50	11.60	7.97	30.00
Real Estate (Property)	10.00	6.48	5.84	12.00
Real Estate (REITS)	2.50	8.74	6.69	22.02
Hedge Fund of Funds – Diversified	2.50	4.94	4.64	8.09
Hedge Fund – Event-driven	0.63	7.07	6.72	8.90
Timber	1.88	6.60	5.85	13.00
Farmland	1.88	7.11	6.37	13.00
Infrastructure	3.75	8.31	7.13	16.50
Commodities	1.88	6.07	4.58	18.40
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 December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.

(Source: June 30, 2017 PERS CAFR; page 69; Table 34)

9. 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 (fair market 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 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, 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.

9. 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 7.50 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 (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

Sensitivity of Net Pension Liability to Changes in the Discount Rate As of June 30, 2017

Employers' Net Pension Liability/(Asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Defined Benefit Pension Plan	$ 269,867,866	$ 158,356,193	$ 65,111,784

- **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, 2017, 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, 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

9. 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

10. 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, 2018, 2017, and 2016.

11. 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.

11. 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 $48.9 million for goods, services, and construction of facilities, as follows:

Capital Projects Fund	$ 48,866,094

12. PREPAID EXPENSES

The District has various prepaid expenses throughout the year that consist of UPS and postage fees, health insurance premiums paid by former employees, and miscellaneous other charges due to timing differences. Total prepaid expenses as of June 30, 2018, were as follows:

General Fund	$ 478,468

13. TAX ABATEMENTS

Property tax abatements result from agreements between Washington County and others, which impact the Districts levied property taxes. As of June 30, 2018, the District was affected by tax abatement agreements made by Washington County through five programs.

Exemption Type	Tax Abatement Amount
Construction in Process in Enterprise Zone (ORS 285C.170)	$33,000
Enterprise Zone (ORS 285C.175)	$4,397,000
Housing for Low Income Rental (ORS 307.517)	$7,000
Strategic Investment Program (ORS 285C.600)	$100,154,000
Vertical Housing (ORS 307.864)	$489,000

Estimated based on certified tax roll values (10/6/17)

14. RESTATEMENT OF PRIOR YEAR NET POSITION

In implementing GASB Statement No. 75, the District has restated beginning net position in order to recognize the correct Total OPEB liability for the District's Implicit Rate Subsidy plan and to recognize the District's proportionate share of the Net OPEB liability of the PERS Retirement Health Insurance Amount (RHIA). The District had previously reported a Net OPEB Obligation in accordance with GASB Statement No. 45 related to the Implicit Rate Subsidy plan, which has been replaced with the Net OPEB Liability.

Net Position – July 1, 2017 as originally reported	$ (48,621,310)
Cumulative effect of change in accounting principle	(708,357)
Net Position – July 1, 2017 as restated	$ (49,329,667)

15. NEW ACCOUNTING STANDARDS IMPLEMENTED

For the fiscal year ended June 30, 2018, the District implemented the following new accounting standards:

- **GASB Statement 75,** *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The statement establishes accounting and financial reporting requirements related to other post-employment benefits (OPEB), replacing GASB Statements 45 and 57.
- **GASB Statement 81,** *Irrevocable Split-Interest Agreements.* This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests.
- **GASB Statement 82,** *Pension Issues—an amendment of GASB Statements 67, 68, and 73.* This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.
- **GASB Statement 85,** *Omnibus 2017.* The objective of the Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements.
- **GASB Statement 86,** *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt.

16. 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 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.
- **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 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. 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.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

REQUIRED SUPPLEMENTARY INFORMATION

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HILLSBORO SCHOOL DISTRICT IJ
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND SCHEDULE OF TOTAL OPEB LIABILITY AND RELATED RATIOS FOR MEDICAL SUBSIDY
JUNE 30, 2018

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

Year Ended June 30,	Service Cost	Interest	Change Of Benefit Terms	Difference Between Expected And actual Experience	Changes of Assumptions Or other Input	Benefit payments	Net Change In total OPEB Liability
2018	$715,180	$321,401	$ -	$ -	$ -	$309,852	$726,729

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

Year Ended June 30,	Total OPEB Liability Beginning	Net Change in Total OPEB Liability	Total OPEB Liability Ending[1]	Covered Payroll	Total OPEB Liability as Percentage Of Covered Payroll	Discount Rate
2018	$ 8,980,210	$ 726,729	$ 9,706,939	$122,808,685	7.9%	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.

HILLSBORO SCHOOL DISTRICT IJ
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF CONTRIBUTIONS FOR RHIA
JUNE 30, 2018

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)[1]	Employer's Covered Payroll[2]	NOL as a Percentage Of covered Payroll	Plan fiduciary Net position as A percentage of Total OPEB Liability
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)	Covered Payroll	Contributions As a Percent Of covered payroll
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, 2018

Year Ended June 30,	Employer's proportion of the net pension liability (NPL)	Employer's proportionate share of the net pension liability (NPL)[1]	Employer's covered Payroll[2]	NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	1.17%	$ 158,356,193	$ 117,330,543	135.0%	83.1%
2017[5]	1.11%	167,229,488	112,642,257	142.5%	80.5%
2016[4]	1.05%	60,293,919	100,728,284	59.9%	91.9%
2015[3]	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%.

HILLSBORO SCHOOL DISTRICT IJ
SCHEDULE OF CONTRIBUTIONS FOR PERS
JUNE 30, 2018

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
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, 2018

	Original Budget	Final Budget		Actual Budget Basis	Actual Adjustments	Actual GAAP Basis	Variance with Final Budget
REVENUES:							
Local sources							
Property taxes	$ 70,267,665	$ 70,267,665		$ 72,653,546	$ -	$ 72,653,546	$ 2,385,881
Charges for services	873,736	873,736		602,161	-	602,161	(271,575)
Earnings on investments	404,635	404,635		992,253	-	992,253	587,618
Contributions & donations	-	-		150	-	150	150
Services provided to other funds	-	-		33,073	-	33,073	33,073
Other	871,103	871,103		575,464	-	575,464	(295,639)
Intermediate sources	3,554,545	3,554,545		3,899,102	-	3,899,102	344,557
State sources	130,042,910	130,042,910		134,002,096	-	134,002,096	3,959,186
Total Revenues	206,014,594	206,014,594		212,757,845	-	212,757,845	6,743,251
EXPENDITURES:							
Current							
Instruction	122,920,108	122,920,108	(1)	132,346,150	(7,283)	132,338,867	(9,426,042)
Support services	84,749,022	84,714,396	(1)	80,786,733	(1,134,575)	79,652,158	3,927,663
Enterprise and community services	574,703	609,329	(1)	661,816	-	661,816	(52,487)
Debt service	528,500	-	(1)	(886)	-	(886)	886
Capital Outlay	-	-		-	1,141,858	1,141,858	-
Total Expenditures	208,772,333	208,243,833		213,793,813	-	213,793,813	(5,549,980)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,757,739)	(2,229,239)		(1,035,968)	-	(1,035,968)	1,193,271
OTHER FINANCING SOURCES (USES)							
Transfers in	1,000,000	1,000,000		1,000,000	-	1,000,000	-
Sale or compensation for loss of capital assets	-	-		120,693	-	120,693	120,693
Total other financing sources (uses)	1,000,000	1,000,000		1,120,693	-	1,120,693	120,693
NET CHANGE IN FUND BALANCE	(1,757,739)	(1,229,239)		84,725	-	84,725	1,313,964
FUND BALANCE, July 1, 2017	11,598,462	11,598,462		12,711,074	-	12,711,074	1,112,612
FUND BALANCE, June 30, 2018	$ 9,840,723	$ 10,369,223		12,795,799	$ -	$ 12,795,799	$ 2,426,576

Reconciliation to Governmental Fund Balance as required by GASB Statement 54	
Ending Fund Balance:	
PERS Reserve Fund	1,000,000
	$ 13,795,799

(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, 2018

	Original Budget	Final Budget		Actual: Budget Basis		Actual: Adjustments	Actual: GAAP Basis	Variance with Final Budget
REVENUES:								
Local sources								
Construction excise tax	$ 3,000,000	$ 3,528,500		$ 891,516		$ -	$ 891,516	$ (2,636,984)
Charges for services	5,557,253	5,557,253		5,332,068		-	5,332,068	(225,185)
Contributions & donations	1,250,000	1,471,240		1,414,914		-	1,414,914	(56,326)
Services provided to other funds	-	-		741,735		-	741,735	741,735
Other	888,441	1,533,959		272,318		-	272,318	(1,261,641)
Intermediate sources	955,141	1,044,101		1,383,835		-	1,383,835	339,734
State sources	5,081,328	4,320,149		4,588,731	(2)	-	4,588,731	268,582
Federal sources	14,726,811	16,771,282		17,429,206		-	17,429,206	657,924
Total Revenues	31,458,974	34,226,484		32,054,323		-	32,054,323	(2,172,161)
EXPENDITURES:								
Current								
Instruction	12,369,880	13,635,171	(1)	12,470,020		(46,552)	12,423,468	1,165,151
Support services	7,171,583	8,145,302	(1)	9,721,773		(1,316,237)	8,405,536	(1,576,471)
Enterprise and community services	9,541,112	12,226,178	(1)	8,894,845		-	8,894,845	3,331,333
Facilities acquisition and construction	250,000	250,000	(1)	459,175		(394,668)	64,507	(209,175)
Debt Service	1,500,000	2,028,500	(1)	1,463,540		-	1,463,540	564,960
Captial Outlay	-	-		-		1,757,457	1,757,457	-
Total Expenditures	30,832,575	36,285,151		33,009,353		-	33,009,353	3,275,798
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	626,399	(2,058,667)		(955,030)		-	(955,030)	1,103,637
OTHER FINANCING SOURCES (USES)								
Proceeds from capital lease	1,300,000	1,300,000		1,297,074		-	1,297,074	(2,926)
Sale or compensation for loss of capital assets	33,903	33,903		8,024		-	8,024	(25,879)
Transfers out	(376,941)	(376,941)		-		-	-	376,941
Total Other Financing Sources (Uses)	956,962	956,962		1,305,098		-	1,305,098	348,136
NET CHANGE IN FUND BALANCE	1,583,361	(1,101,705)		350,068		-	350,068	1,451,773
FUND BALANCE, July 1, 2017	2,775,492	2,775,492		7,582,360		-	7,582,360	4,806,868
FUND BALANCE, June 30, 2018	$ 4,358,853	$ 1,673,787		$ 7,932,428		$ -	$ 7,932,428	$ 6,258,641

(1) Appropriation Level

(2) Includes $82,544 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, 2018

	Original Budget	Final Budget	Budget & GAAP Basis Actual	Variance with Final Budget
REVENUES:				
Local sources				
Property taxes	$ 32,574,425	$ 32,574,425	$ 32,456,532	$ (117,893)
Interest on investments	100,000	100,000	338,934	238,934
Services provided to other funds	10,937,549	10,937,549	10,872,090	(65,459)
Total Revenues	43,611,974	43,611,974	43,667,556	55,582
EXPENDITURES:				
Debt service				
Other	20,000	20,000	858	19,142
Principal	34,260,000	34,260,000	32,975,000	1,285,000
Interest	10,276,974	10,276,974	10,276,974	-
Total Expenditures	44,556,974	44,556,974	43,252,832	1,304,142
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(945,000)	(945,000)	414,724	1,359,724
FUND BALANCE, July 1, 2017	945,000	945,000	2,122,466	1,177,466
FUND BALANCE, June 30, 2018	$ -	$ -	$ 2,537,190	$ 2,537,190

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, 2018

	Original Budget	Final Budget	Actual: Budget Basis	Actual: Adjustments	Actual: GAAP Basis	Variance with Final Budget
REVENUES:						
Local sources						
Interest on investments	$ 200	$ 200	$ 257,128	$ -	$ 257,128	$ 256,928
Contributions & donations	-	-	300,000	-	300,000	300,000
Total Revenues	200	200	557,128	-	557,128	556,928
EXPENDITURES:						
Current						
Support services	-	-	996,120	-	996,120	(996,120)
Facilities acquisition and construction	1,000,200	18,863,532	18,401,098	(13,215,097)	5,186,001	462,434
Debt service						
Other			-	-	-	-
Principal	-	-	335,102	-	335,102	(335,102)
Interest	-	-	6,950	-	6,950	(6,950)
Capital outlay	-	-	-	13,215,097	13,215,097	-
Total Expenditures	1,000,200	18,863,532	19,739,270	-	19,739,270	(875,738)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,000,000)	(18,863,332)	(19,182,142)	-	(19,182,142)	(318,810)
OTHER FINANCING SOURCES (USES):						
Bonds issued	-	17,863,332	268,395,000	-	268,395,000	250,531,668
Premium on bonds issued	-	-	51,600,506	-	51,600,506	51,600,506
Total Other Financing Sources (Uses)	-	17,863,332	319,995,506	-	319,995,506	302,132,174
NET CHANGE IN FUND BALANCE	(1,000,000)	(1,000,000)	300,813,364	-	300,813,364	301,813,364
FUND BALANCE, July 1, 2017	1,000,000	1,500,000	1,346,696	-	1,346,696	(153,304)
FUND BALANCE, June 30, 2018	$ -	$ 500,000	$ 302,160,060	$ -	$ 302,160,060	$ 301,660,060

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, 2018

	Original Budget	Final Budget	Budget Basis Actual	Variance with Final Budget
OTHER FINANCING SOURCES (USES):				
Transfers out	$ (1,000,000)	$ (1,000,000)	$ (1,000,000)	$ -
Total Other Financing Sources (Uses)	(1,000,000)	(1,000,000)	(1,000,000)	-
NET CHANGE IN FUND BALANCE	(1,000,000)	(1,000,000)	(1,000,000)	-
FUND BALANCE, July 1, 2017	2,000,000	2,000,000	2,000,000	-
FUND BALANCE, June 30, 2018	$ 1,000,000	$ 1,000,000	$ 1,000,000	$ -

Reconciliation to Governmental Fund Balance as required by GASB Statement 54	
Ending Fund Balance:	
General Fund	(1,000,000)
	-

HILLSBORO SCHOOL DISTRICT 1J
SCHEDULE OF REVENUES - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

		Fund 100	Fund 200	Fund 300
REVENUES:				
Revenue from local sources:				
1110	Ad valorem taxes paid by District	$ 72,572,301	$ -	$ 32,432,182
1114	Payments in Lieu of Property Taxes	11,994	-	5,420
1190	Penalties and interest on taxes	43,252	-	18,930
1200	Revenue from local governments - Construction Excise Tax	25,999	891,516	-
1310	Tuition	28,202	-	-
1400	Transportation fees	31,524	-	-
1500	Earning on investments	992,253	-	338,934
1600	Food service	-	1,643,568	-
1700	Extracurricular activities	370,244	3,688,500	-
1910	Rentals	170,761	60,000	-
1920	Contributions & donations	150	1,414,914	-
1960	Recovery of prior year	7,425	679	-
1970	Services provided other funds	33,073	741,735	10,872,090
1980	Fees charged to grants	427,660	-	-
1990	Miscellaneous	140,379	120,973	-
1995	Printing Revenue	1,430	90,666	-
	Total revenue from local sources	74,856,647	8,652,551	43,667,556
Revenue from intermediate sources:				
2101	County school funds	535,503	-	-
2103	ESD	3,363,599	-	-
2200	Restricted revenue	-	1,383,835	-
	Total revenue from Intermediate Sources	3,899,102	1,383,835	-
Revenue from state sources:				
3101	State school fund - general support	120,268,585	-	-
3102	State school fund - school lunch match	-	82,544	-
3103	Common school fund	2,109,549	-	-
3104	State managed county timber	1,123,962	-	-
3105	State school fund - transportation grant	10,500,000	-	-
3120	Reduced breakfast reimbursement	-	14,813	-
3121	Reduced lunch reimbursement	-	50,298	-
3200	Restricted grants-in-aid	-	715,651	-
3222	State school fund transportation equipment	-	1,560,000	-
3299	Other restricted grants-in-aid	-	2,165,425	-
	Total revenue from state sources	134,002,096	4,588,731	-
Revenue from federal sources:				
4100	Unrestricted direct from federal government	-	24,936	-
4500	Restricted revenue from federal government	-	15,823,627	-
4700	Restricted revenue from federal government through intermediate sources	-	982,910	-
4900	Revenue for/on behalf of the District	-	597,733	-
	Total revenue from federal sources	-	17,429,206	-
Revenue from other sources:				
5100	Long-term financing sources	-	1,297,074	-
5200	Transfers	1,000,000	-	-
5300	Sale or compensation for loss of capital assets	120,693	8,024	-
5400	Resources - beginning fund balance	12,711,074	7,582,360	2,122,466
	Total revenue from other sources	13,831,767	8,887,458	2,122,466
TOTAL REVENUES		**$ 226,589,612**	**$ 40,941,781**	**$ 45,790,022**

Fund 400	Fund 600	Total
$ -	$ -	$ 105,004,483
		17,414
-	-	62,182
-	-	917,515
-	-	28,202
-	-	31,524
257,128	-	1,588,315
-	-	1,643,568
-	-	4,058,744
-	-	230,761
300,000	-	1,715,064
-	-	8,104
-	-	11,646,898
-	-	427,660
-	-	261,352
-	-	92,096
557,128	-	127,733,882
-	-	535,503
-	-	3,363,599
-	-	1,383,835
-	-	5,282,937
-	-	120,268,585
-	-	82,544
-	-	2,109,549
-	-	1,123,962
-	-	10,500,000
-	-	14,813
-	-	50,298
-	-	715,651
-	-	1,560,000
-	-	2,165,425
-	-	138,590,827
-	-	24,936
-	-	15,823,627
-	-	982,910
-	-	597,733
-	-	17,429,206
319,995,506	-	321,292,580
-	-	1,000,000
-	-	128,717
1,346,696	2,000,000	25,762,596
321,342,202	2,000,000	348,183,893
$ 321,899,330	**$ 2,000,000**	**$ 637,220,745**

HILLSBORO SCHOOL DISTRICT 1J
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018

	Object 100	Object 200	Object 300
EXPENDITURES:			
Instruction:			
1111 Primary programs	$ 30,673,881	$ 15,340,178	$ 2,093,880
1113 Elementary extracurricular	83,980	25,375	8,207
1121 Middle school programs	7,389,515	3,740,772	406,752
1122 Middle school extracurricular	65,135	22,396	425
1131 High school programs	15,120,963	7,588,947	1,038,389
1132 High school extracurricular	1,446,954	531,526	290,414
1133 High school Saturday school	7,512	3,118	-
1210 Talented and gifted program	301,136	132,380	54,801
1220 Students with disabilities - restricted programs	8,291,830	5,325,311	1,442,449
1250 Students with disabilities - less restricted programs	8,297,644	4,973,866	424,654
1272 Title 1	514	613	-
1280 Alternative education	832,871	386,802	1,822,004
1291 English second language programs	6,729,948	3,759,506	335,104
1292 Teen parent programs	464,875	244,937	13,159
1293 Migrant Education	-	695	-
1294 Youth corrections education	200,745	110,285	30,739
1430 Secondary summer school	152	45	-
Total instruction	79,907,655	42,186,752	7,960,977
Support services:			
2110 Attendance and social work services	1,865,293	1,085,972	1,275,834
2120 Guidance Services	3,268,756	1,567,233	239,338
2130 Health Services	478,709	329,805	48,729
2140 Psychological services	613,591	289,553	97,558
2150 Speech pathology services	2,254,821	982,524	28,443
2160 Other student treatment services	-	-	115,467
2190 Service direction, student special education	26,609	7,888	154,328
2210 Improvement of Instructional services	313,787	123,196	557,994
2220 Educational media services	681,768	549,961	36,871
2230 Assessment and testing	32,679	9,305	95,558
2240 Instructional staff development	795,398	324,836	401,465
2310 Board of Education services	66,189	21,850	105,219
2320 Executive administration services	258,841	201,228	114,023
2410 Office of the principal services	8,988,150	4,884,428	444,290
2490 Other support services school administration	1,542,211	831,491	168,053
2510 Direction of business support services	535,907	379,650	48,489
2520 Fiscal services	474,090	319,371	6,688
2540 Operation and maintenance of plant	5,593,235	3,400,507	6,075,816
2550 Student transportation services	8,061,721	5,382,215	284,967
2570 Internal services	224,307	132,751	(423,243)
2610 Direction of Central Support Services	-	1	1,514
2630 Information/production services	326,285	156,529	55,572
2640 Staff services	699,897	976,394	231,828
2660 Technology services	1,555,746	809,163	1,466,919
2670 Records management services	-	-	18,924
2700 Early retirement program	13,000	993	-
Total support services	38,670,990	22,766,844	11,650,644
Enterprise and community services			
3100 Food Services	-	(431)	-
3300 Other community services	378,758	206,553	70,323
Total enterprise and community services	378,758	206,122	70,323
Debt service			
5110 Long-term debt service	-	-	(886)
Total debt service	-	-	(886)
TOTAL EXPENDITURES	$ 118,957,403	$ 65,159,718	$ 19,681,058

Object 400	Object 500	Object 600	Object 700	Total
$ 770,391	$ -	$ 78	$ -	$ 48,878,408
27,080	-	-	-	144,642
161,977	-	605	-	11,699,621
6,634	-	-	-	94,590
534,280	7,283	2,989	-	24,292,851
155,255	-	84,825	-	2,508,974
-	-	-	-	10,630
20,101	-	-	-	508,418
93,606	-	45,928	-	15,199,124
29,562	-	-	-	13,725,726
30	-	-	-	1,157
236,845	-	69,311	-	3,347,833
40,321	-	-		10,864,879
366	-	234		723,571
-	-	-	-	695
3,065	-	-		344,834
-	-	-	-	197
2,079,513	7,283	203,970	-	132,346,150
66,264	-	660	-	4,294,023
53,745	-	5,997	-	5,135,069
6,880	-	-	-	864,123
16,452	-	-	-	1,017,154
4,755	-	-	-	3,270,543
-	-	-	-	115,467
7,498	-	909	-	197,232
927,189	-	114	-	1,922,280
98,226	-	55	-	1,366,881
28,229	-	-	-	165,771
111,095	-	2,767	-	1,635,561
15,462	-	22,643	-	231,363
26,190	-	4,350	-	604,632
470,465	3,791	4,667	-	14,795,791
88,543	-	18,085	-	2,648,383
17,535	-	13,530	-	995,111
15,730	-	137,449	-	953,328
1,332,203	121,238	916,120	-	17,439,119
1,231,513	29,449	235,893	-	15,225,758
100,813	-	-	-	34,628
-	-	-	-	1,515
30,171	-	720	-	569,277
19,056	-	48,993	-	1,976,168
1,450,978	-	3,000	-	5,285,806
8,753	-	80	-	27,757
-	-	-	-	13,993
6,127,745	154,478	1,416,032	-	80,786,733
-	-	-	-	(431)
6,613	-	-	-	662,247
6,613	-	-	-	661,816
-	-	-	-	(886)
-	-	-	-	(886)
$ 8,213,871	$ 161,761	$ 1,620,002	$ -	$ 213,793,813

HILLSBORO SCHOOL DISTRICT 1J
SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018

		Object 100	Object 200	Object 300	Object 400
EXPENDITURES:					
Instruction:					
1111	Primary programs	$ 30,171	$ 6,481	$ 208,223	$ 545,697
1113	Elementary extracurricular	6,000	1,861	4,967	11,295
1121	Middle school programs	9,906	3,471	14	2,651
1122	Middle school extracurricular	2,195	732	278	153,824
1131	High school programs	542,979	205,869	60,792	379,038
1132	High school extracurricular	17,904	3,288	14,437	3,015,566
1133	High school Saturday school	3,166	901	-	-
1221	Students with disabilities - restrictive programs	906,955	475,002	41,755	46,043
1250	Students with disabilities - less restrictive programs	187,145	163,582	5,268	409
1272	Title I	1,717,416	1,029,106	246,583	211,902
1280	Alternative education	467,439	242,532	178,303	42,533
1291	English second language programs	-	-	8,360	1,521
1292	Teen parent programs	27,193	22,791	843	124
1293	Migrant education	277,913	127,223	102,546	71,965
1295	English language learner	5,376	1,728	16,973	1,844
1400	Summer school programs	187,249	53,369	48,711	342
	Total instruction	4,389,007	2,337,936	938,053	4,484,754
Support services:					
2110	Attendance and social work services	254,973	149,717	35,135	2,712
2120	Guidance services	581,269	265,055	1,381	3,167
2130	Health services	290,813	136,846	45,139	713
2140	Psychological services	80,340	35,356	-	-
2150	Speech pathology and audiology services	3,065	2,001	-	-
2160	Student treatment center	230,286	119,919	235	-
2190	Service direction, student special education	372,005	182,004	2,408	-
2210	Improvement of instruction services	151,298	61,268	12,314	7,401
2220	Media services	-	-	-	2,129
2230	Assessment and testing	-	-	8,415	-
2240	Instructional staff development	828,532	330,169	786,463	53,299
2320	Executive administration services	-	-	-	760
2410	Office of the principal services	13,808	4,431	35,367	164,825
2490	Other support services school administration	35,357	11,005	8,798	6,141
2520	Fiscal services	-	-	21,899	6,179
2540	Operation and maintenance of plant	236	79	68,330	130,434
2550	Student transportation services	-	-	17,166	-
2570	Internal Services	-	-	-	19,004
2610	Direction of central support services	459,389	199,781	587	1,314
2630	Information/production services	-	-	1,500	7,962
2660	Technology services	-	-	191	-
	Total support services	3,301,371	1,497,631	1,045,328	406,040
Enterprise and community services:					
3100	Food services	2,424,562	1,550,438	360,866	3,682,729
3300	Community services	254,669	128,186	181,269	50,718
	Total enterprise and community services	2,679,231	1,678,624	542,135	3,733,447
Capital Projects					
4150	Building acquisition, construction & improvements	-	-	44,594	1,132
	Total capital projects	-	-	44,594	1,132
Debt service					
5110	Long-term debt service	-	-	-	-
	Total debt service	-	-	-	-
TOTAL EXPENDITURES		**$ 10,369,609**	**$ 5,514,191**	**$ 2,570,110**	**$ 8,625,373**

Object 500	Object 600	Total
$ -	$ -	$ 790,572
-	-	24,123
-	-	16,042
-	-	157,029
15,658	9,193	1,213,529
20,000	6,090	3,077,285
-	-	4,067
-	33,876	1,503,631
-	-	356,404
-	167,875	3,372,882
-	15,831	946,638
-	-	9,881
-	-	50,951
-	39,582	619,229
-	997	26,918
-	11,168	300,839
35,658	284,612	12,470,020
-	-	442,537
-	-	850,872
-	558	474,069
-	-	115,696
-	-	5,066
-	-	350,440
-	113,481	669,898
-	1,628	233,909
-	-	2,129
-	-	8,415
-	28,341	2,026,804
-	-	760
-	1,268	219,699
-	-	61,301
-	-	28,078
610,098	520,870	1,330,047
1,587,475	607,684	2,212,325
-	-	19,004
-	-	661,071
-	-	9,462
-	-	191
2,197,573	1,273,830	9,721,773
86,939	53,817	8,159,351
-	120,652	735,494
86,939	174,469	8,894,845
413,449	-	459,175
413,449	-	459,175
-	1,463,540	1,463,540
-	1,463,540	1,463,540
$ 2,733,619	**$ 3,196,451**	**$ 33,009,353**

HILLSBORO SCHOOL DISTRICT 1J
SCHEDULE OF DEBT SERVICE FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018

		Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	TOTAL
EXPENDITURES:								
Debt Services								
5100	Debt service	$ -	$ -	$ (42)	$ -	$ -	$ 43,252,874	$ 43,252,832
TOTAL EXPENDITURES		$ -	$ -	$ (42)	$ -	$ -	$ 43,252,874	$ 43,252,832

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HILLSBORO SCHOOL DISTRICT 1J
SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018

		Object 100	Object 200	Object 300
EXPENDITURES:				
Support services				
2540	Facilities Maintenance	$ -	$ -	$ 841,780
2660	Technology	48,005	15,467	-
	Total support services	48,005	15,467	841,780
Facilities acquisition & construction				
4110	Service area direction	40,868	24,136	9,185
4150	Building acquisition, construction, & improvement services	219,905	105,052	6,099,441
4180	Other Capital Purchases	645	191	530,650
	Total facilities acquisition & construction	261,418	129,379	6,639,276
Debt Services				
5100	Long-term debt service	-	-	-
	Total debt services	-	-	-
TOTAL EXPENDITURES		**$ 309,423**	**$ 144,846**	**$ 7,481,056**

Object 400	Object 500	Object 600	Total
$ 3,175	$ 87,693	$ -	$ 932,648
-	-	-	63,472
3,175	87,693	-	996,120
-	-	-	74,189
308,847	4,262,226	3,153,777	14,149,248
3,646,175	-	-	4,177,661
3,955,022	4,262,226	3,153,777	18,401,098
-	-	342,052	342,052
-	-	342,052	342,052
$ 3,958,197	**$ 4,349,919**	**$ 3,495,829**	**$ 19,739,270**

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

Office of Finance and Administration
Budget and Analysis

SUPPLEMENTAL INFORMATION, 2017-18

A. Energy Bill for Heating - **All Funds**:
Please enter your expenditures for electricity
& heating fuel for these Functions & Objects.

	Objects 325 & 326 & 327
Function 2540	$ 4,401,368
Function 2550	$ 41,545

B. Replacement of Equipment - **General Funds**:
Include all General Fund expenditures in objects 542, except for the following exclusions:

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

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.

Contents	Page
Financial Trends	**96**
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	**104**
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
Debt Capacity	
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	**112**
Demographic and Economic Information	**118**
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	**120**
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
2009 Through 2018
(accrual basis of accounting)

	2018	2017	2016	2015
Governmental activities:				
Net investment in capital assets	$ 132,523,519	$ 114,594,309	$ 93,370,283	$ 78,831,288
Restricted for:				
Special programs	7,932,428	7,582,360	8,634,227	5,369,178
Debt service	-	3,148,710	6,070,721	7,410,609
Capital projects	-	-	-	-
Unrestricted	(200,783,225)	(173,946,689)	(148,835,008)	(94,426,208)
Total primary government net position	$ (60,327,278)	$ (48,621,310)	$ (40,759,777)	$ (2,815,133)

2014	2013	2012	2011	2010	2009
$ 64,738,162	$ 52,287,910	$ 31,538,602	$ 43,279,660	$ 44,713,254	$ 36,339,608
5,088,140	5,507,603	6,837,003	2,285,638	-	-
4,854,595	3,581,143	3,358,031	3,306,895	3,654,721	5,880,421
-	8,413,441	13,463,581	20,296,746	23,710,495	39,421,641
(12,088,874)	(22,377,708)	(7,822,244)	(19,579,279)	(19,016,357)	(31,880,776)
$ 62,592,023	$ 47,412,389	$ 47,374,973	$ 49,589,660	$ 53,062,112	$ 49,760,894

HILLSBORO SCHOOL DISTRICT 1J
CHANGES IN NET POSITION
Last Ten Fiscal Years
2009 Through 2018
(accrual basis of accounting)

	2018	2017	2016	2015
Governmental Activities:				
Expenses				
Instruction	$ 162,864,021	$ 149,844,084	$ 161,454,482	$ 90,177,101
Support services	98,545,523	97,716,311	103,928,959	71,099,128
Enterprise & community services	10,288,193	10,128,229	10,354,697	8,308,170
Facilities acquisition & construction	-	-	-	-
Interest on long-term debt	15,800,759	11,802,160	12,218,456	13,029,323
Total expenses	287,498,497	269,490,784	287,956,594	182,613,722
Program Revenues:				
Charges for services:				
Instruction	4,119,900	4,270,223	4,837,643	4,531,645
Support services	230,761	362,020	346,318	159,545
Enterprise & community services	1,643,568	1,628,711	1,639,366	1,512,339
Operating grants & contributions:				
Instruction	11,469,126	7,919,459	10,413,580	10,258,791
Support services	8,329,519	9,067,847	3,990,770	4,144,617
Enterprise & community services	6,652,121	6,848,551	6,727,933	6,522,598
Capital grants & contributions:				
Enterprise & community services	-	-	-	-
Facilities	300,000	-	-	-
Total program revenues	32,744,995	30,096,811	27,955,610	27,129,535
Net (Expenses)	(254,753,502)	(239,393,973)	(260,000,984)	(155,484,187)
General Revenues				
Property taxes, levied for general purposes	71,823,536	69,217,233	66,578,201	59,703,224
Property taxes, levied for debt service	32,050,326	31,654,333	30,857,723	29,812,298
State school fund - general support	134,002,096	125,998,472	120,567,483	121,330,286
Unrestricted intermediate sources	3,899,102	3,683,221	3,393,998	5,137,388
Earnings on investments	1,588,315	793,933	459,813	337,386
Gain on sale of capital assets	-	-	-	-
Miscellaneous	392,516	185,248	199,122	433,204
Total general revenues	243,755,891	231,532,440	222,056,340	216,753,786
CHANGE IN NET POSITION	$ (10,997,611)	$ (7,861,533)	$ (37,944,644)	$ 61,269,599

2014	2013	2012	2011	2010	2009
$ 113,612,720	$ 112,947,889	$ 111,973,461	$ 115,345,118	$ 113,083,611	$ 122,478,716
79,207,615	74,174,524	70,449,859	75,113,377	72,721,956	86,269,378
8,129,203	8,540,335	8,277,973	8,109,778	8,779,813	9,457,828
-	-	-	-	-	-
13,034,172	14,610,731	15,656,739	16,560,348	17,242,277	17,905,207
213,983,710	210,273,479	206,358,032	215,128,621	211,827,657	236,111,129
4,842,097	5,119,993	5,330,102	4,409,514	4,256,047	4,021,721
609,956	750,681	210,960	227,538	273,337	168,919
1,719,122	1,672,468	1,720,616	1,739,507	1,959,373	2,041,711
5,981,567	8,761,256	6,435,939	17,996,564	12,519,540	12,342,037
6,392,540	8,174,761	8,666,716	6,136,063	1,131,494	2,379,115
5,522,009	5,795,967	5,788,841	6,490,380	6,469,855	5,267,264
384,047	450,972	563,818	96,590	80,702	71,062
637,036	410,963	-	-	-	-
25,451,338	30,726,098	28,716,992	37,096,156	26,690,348	26,291,829
(188,532,372)	(179,547,381)	(177,641,040)	(178,032,465)	(185,137,309)	(209,819,300)
56,664,969	53,423,125	54,224,135	51,832,676	50,085,826	48,193,154
28,493,052	27,812,402	27,696,616	27,630,949	26,101,682	21,845,630
113,662,969	96,246,256	100,256,023	91,150,843	101,051,718	101,756,724
2,546,625	871,920	1,000,000	-	-	-
276,870	283,150	261,912	387,598	-	-
-	904	-	950,007	785,940	3,312,204
1,430,485	536,077	794,235	2,086,912	11,437,792	12,067,166
203,074,970	179,173,834	184,232,921	174,038,985	189,462,958	187,174,878
$ 14,542,598	$ (373,547)	$ 6,591,881	$ (3,993,480)	$ 4,325,649	$ (22,644,422)

HILLSBORO SCHOOL DISTRICT 1J
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
2009 Through 2018
(modified accrual basis of accounting)

	2018	2017	2016	2015
FUND BALANCES:				
Nonspendable, reported in:				
General fund	$ 591,385	$ 403,952	$ 280,224	$ 341,786
Special revenue funds	345,821	213,461	218,283	227,945
Capital projects fund	-	-	-	-
Restricted, reported in:				
General fund	-	-	-	-
Special revenue funds	7,586,607	7,368,899	8,415,944	5,141,233
Debt service fund	2,537,190	2,122,466	1,661,262	1,433,967
Capital projects funds	302,160,060	1,346,696	2,245,328	2,865,775
Assigned, reported in:				
Special revenue funds	-	-	-	-
Supplies and text book carryover	-	1,332,092	1,175,000	-
PERS reserve	1,000,000	2,000,000	2,000,000	1,500,000
Unassigned, reported in:				
General fund	12,204,414	10,975,030	13,103,229	17,262,483
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
TOTAL FUND BALANCES	$ 326,425,477	$ 25,762,596	$ 29,099,270	$ 28,773,189

(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.

2014	2013	2012	2011	2010	2009
$ 344,243	$ 312,262	$ 688,343	$ 300,725	$ -	$ -
534,526	189,829	227,922	572,074	-	-
34,205	-	-	-	-	-
-	-	-	-	364,700	383,482
4,553,614	5,507,603	6,837,003	2,285,638	499,389	235,323
3,984,610	3,581,143	3,358,031	3,306,895	3,654,721	5,880,421
5,995,241	8,413,441	13,463,581	20,296,746	23,710,495	39,421,641
-	-	-	2,582,631	-	-
-	-	-	-	-	-
1,500,000	1,500,000	3,000,000	4,500,000	-	-
14,112,648	8,788,286	8,948,777	10,654,867	17,551,703	19,658,096
-	-	-	(358,476)	2,519,865	3,597,953
-	-	-	(368,925)	-	-
$ 31,059,087	$ 28,292,564	$ 36,523,657	$ 43,772,175	$ 48,300,873	$ 69,176,916

HILLSBORO SCHOOL DISTRICT 1J
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
2009 Through 2018

(modified accrual basis of accounting)

	2018	2017	2016	2015
Revenues				
Property taxes	$ 105,110,078	$ 100,563,776	$ 96,961,752	$ 89,919,268
Charges for services	5,934,229	5,840,940	6,435,189	6,271,278
Earnings on investments	1,588,315	792,628	459,813	337,386
Other	2,039,298	15,523,161	11,848,859	10,224,931
Intermediate sources	5,282,937	5,143,721	4,472,616	6,074,738
State school support	138,590,827	128,504,148	122,728,879	123,226,336
Federal	17,429,206	16,066,023	15,803,705	16,174,120
Total revenues	275,974,890	272,434,397	258,710,813	252,228,057
EXPENDITURES:				
Current operating				
Instruction	144,762,335	132,360,582	125,511,177	116,762,389
Support services	89,053,814	88,182,891	84,067,564	86,021,094
Enterprise & community services	9,556,661	9,439,332	8,963,982	9,352,157
Facilities acquisition & construction	5,250,508	269,989	228,203	-
Capital outlay	16,114,412	3,035,920	4,086,509	3,065,081
Debt service				
Principal	34,678,369	31,946,756	28,702,136	28,212,756
Other	(28)	2,206	419	-
Interest	10,379,197	11,802,160	12,251,716	12,571,394
Total expenditures	309,795,268	277,039,836	263,811,706	255,984,871
Excess (deficiency) of revenues over expenditures	(33,820,378)	(4,605,439)	(5,100,893)	(3,756,814)
Other financing sources (uses)				
Bond proceeds	51,600,506	-	-	-
Issuance of debt	268,395,000	-	3,406,866	58,496,864
Bond payments	-	-	-	(58,461,404)
Sale or compensation for loss of capital assets	128,717	14,205	52,685	5,405
Capital leases	1,297,074	1,254,560	1,967,423	1,430,050
Operating transfers in	-	-	500,000	-
Operating transfers out	-	-	(500,000)	-
Total other financing sources (uses)	321,421,297	1,268,765	5,426,974	1,470,915
NET CHANGE IN FUND BALANCES	$ 287,600,919	$ (3,336,674)	$ 326,081	$ (2,285,899)
Expenditures for capital assets	$ 16,114,412	$ 3,043,901	$ 4,086,508	$ 6,606,532
Debt service as a percentage of noncapital expenditures	15.3%	16.0%	15.8%	16.4%

2014	2013	2012	2011	2010	2009
$ 84,573,962	$ 81,824,121	$ 80,948,030	$ 79,663,898	$ 75,902,580	$ 69,425,118
6,710,072	8,926,225	9,257,214	8,161,987	8,197,218	8,265,066
276,870	283,150	261,912	387,598	785,940	3,229,021
10,502,639	7,461,433	6,524,021	7,495,766	6,977,351	6,944,129
2,975,038	1,334,511	888,300	1,378,287	2,821,079	1,742,355
116,117,246	98,162,287	101,918,660	92,378,467	101,051,718	103,156,724
14,307,594	19,461,252	18,400,804	27,566,990	20,120,889	20,087,018
235,463,421	217,452,979	218,198,941	217,032,993	215,856,775	212,849,431
110,905,035	107,502,434	107,619,019	106,975,447	106,348,362	103,425,714
77,319,892	70,598,413	67,710,192	69,662,999	68,171,937	72,746,276
7,935,463	8,128,587	7,956,058	7,521,316	8,256,888	8,046,600
2,639,938	495,737	1,860,015	2,378,353	-	-
1,511,342	4,020,609	6,206,632	6,905,741	19,620,414	66,650,915
22,300,000	20,225,000	18,365,000	17,940,000	15,985,000	14,530,000
68,411	85,220	1,050	400	30,931	30,931
13,088,605	14,725,769	15,731,211	16,554,371	17,306,459	17,951,944
235,768,686	225,781,769	225,449,177	227,938,627	235,719,991	283,382,380
(305,265)	(8,328,790)	(7,250,236)	(10,905,634)	(19,863,216)	(70,532,949)
-	96,794	-	-	-	-
1,500,000	-	-	-	-	-
-	-	-	-	-	-
17,730	904	1,718	1,804,620	11,602	3,610
1,554,058	-	-	2,372,318	-	-
1,200,000	3,597,417	-	700,000	-	-
(1,200,000)	(3,597,417)	-	-	-	-
3,071,788	97,698	1,718	4,876,938	11,602	3,610
$ 2,766,523	$ (8,231,092)	$ (7,248,518)	$ (6,028,696)	$ (19,851,614)	$ (70,529,339)
$ 5,833,691	$ 4,084,550	$ 8,043,533	$ 3,132,769	$ 23,510,115	$ 46,754,281
15.4%	15.8%	15.7%	15.3%	15.7%	13.7%

HILLSBORO SCHOOL DISTRICT 1J
ASSESSED VALUE OF TAXABLE PROPERTY WITHIN SCHOOL DISTRICT BOUNDARIES
Last Ten Fiscal Years
2009 Through 2018

	Measure 5 Real Market Value			
Fiscal Year Ending June 30	Real Property	Manufactured Property	Personal Property	Public Utility
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
2009	15,011,429,659	32,349,370	589,747,354	339,214,403

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

	District Assessed Value				
Total Market Value	Total Taxable Assessed Value	Total Direct Tax Rate	Amount Tax Rate Will Raise	Less: Reduction and Adjustments	Total Taxes Imposed (Not Levy)
$ 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
15,972,740,786	10,100,422,401	6.29	63,521,435	(872,020)	62,649,415

HILLSBORO SCHOOL DISTRICT 1J
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
2009 Through 2018

(rate per $1,000 of assessed value)

DIRECT:	2018	2017	2016	2015	2014
Hillsboro School District	$ 5.8396	$ 5.8605	$ 5.8738	$ 5.9389	$ 6.2778
Hillsboro School District - after 10/6/01	1.3116	1.3357	1.3509	1.4811	1.1228
Prior School District Bonds:					
Hillsboro Elementary	-	-	-	-	-
Reedville	-	-	-	-	-
OVERLAPPING GOVERNMENTS:					
Washington County	2.2484	2.2484	2.2484	2.2484	2.3775
Washington County - after 10/6/01	0.0700	0.0709	0.5900	0.5900	0.5900
Washington County - after 1/1/13	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	4.3454	8.8013	4.3279	-	-
City of Beaverton after 01/01/13	0.0304	-	-	-	-
City of Hillsboro	3.6665	6.5997	5.8664	8.0663	7.3330
City of Hillsboro - after 10/6/01	1.7200	3.0960	2.7520	3.7840	3.4400
City of North Plains	2.1712	2.1712	2.1712	2.1712	2.1712
City of Cornelius	4.4706	4.4706	4.4706	3.9836	3.9836
Cornelius RFPD	1.1642	1.2052	1.2237	1.2558	1.2780
Washington County RFFD #2	-	1.1219	1.1219	1.1219	1.1219
Washington County RFFD #2 - after 10/6/01	-	0.5700	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	0.1023	0.1226	0.5826	0.3659	0.3809
Tualatin Valley Fire and Rescue - after 1/1/13	0.4500	0.4500	-	-	-
Gaston RFPD	1.7621	1.7621	1.7621	1.7621	1.7621
Banks RFPD	2.0043	2.0562	2.0854	2.1499	2.0051
Forest Grove RFPD	1.2766	1.2766	1.2766	1.2766	1.3744
Metro Service District	0.0966	0.1118	0.1117	0.1852	0.1900
Metro Service District - after 10/6/01	0.2162	0.1892	0.2766	0.2733	0.2771
Metro Service District - after 1/1/13	0.0960	0.0960	-	-	-
Tri-Met	-	-	-	-	-
Tualatin Hills Park & Recreation	1.3073	1.3073	1.3973	1.4146	1.4216
Tualatin Hills Park & Recreation - after 10/6/01	0.3038	0.3119	0.3173	0.3021	0.3066
Northwest Regional ESD	0.1538	0.1538	0.1538	0.1538	0.1538
Portland Community College	0.2828	0.2828	0.2828	0.4185	0.4582
Portland Community College - after 10/6/01	0.3222	0.3957	0.3027	0.3037	0.2760
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.

2013	2012	2011	2010	2009
$ 6.3034	$ 6.2933	$ 6.4001	$ 6.3322	$ 6.2936
1.1943	1.1730	1.1845	1.1278	0.8080
-	-	-	-	0.0802
-	-	-	0.4102	0.2617
2.3801	2.3844	2.3898	2.3940	2.3940
0.5900	0.5900	0.5900	0.5900	0.5900
-	-	-	-	-
1.2285	1.2477	1.2660	1.2823	1.3099
0.2456	0.2456	0.2456	0.2456	0.2456
0.0701	0.0701	0.0701	0.0701	0.0701
-	-	-	-	-
-	-	-	-	-
5.1331	5.3865	5.3865	5.3865	5.3865
2.4080	-	-	-	-
2.1712	2.1712	2.1712	2.1712	2.1712
3.9836	3.9836	3.9836	3.9836	4.0050
1.2971	1.3097	1.3354	1.3300	1.4388
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	1.5446
0.3893	0.4050	0.3576	0.3695	0.2988
-	-	-	-	-
1.7621	1.7621	1.7621	1.5121	1.5121
2.0332	2.0505	2.1007	2.1324	2.1671
1.4012	1.2766	1.4262	1.4339	1.4375
0.2621	0.2277	0.2499	0.2504	0.3018
0.1422	0.0877	0.1589	0.1864	0.0966
-	-	-	-	-
-	0.0583	0.0878	0.0863	0.0803
1.4224	1.7388	1.7428	1.7343	1.4291
0.3074	-	-	-	-
0.1538	0.1538	0.1538	0.1538	0.1538
0.4853	0.4460	0.4628	0.4579	0.5031
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 (2018) and Nine Years Prior (2009)

		2018			
Taxpayer	Name	Measure 50 Assessed Value (AV)	Taxes Levied	Percentage of HSD AV	Percentage of Washington County AV
1	Intel	$ 2,387,794,178	$ 38,995,332	15.40%	3.83%
2	Nike, Inc.	876,938,579	15,110,185	5.66%	1.41%
3	Portland General Electric Co.	521,188,116	8,326,227	3.36%	0.84%
4	Comcast Corporation	462,371,700	8,188,252	2.98%	0.74%
5	Pacific Realty Associates	379,444,724	6,365,410	2.45%	0.61%
6	Northwest Natural Gas Co.	355,967,210	5,560,945	2.30%	0.57%
7	Verizon Communications	214,438,000	3,522,566	1.38%	0.34%
8	Genentech Inc	189,956,570	3,130,240	1.23%	0.30%
9	Frontier Communications	191,382,000	3,112,084	1.23%	0.31%
10	PPR Washington Square LLC	151,425,390	2,610,075	0.98%	0.24%
-	Maxim Integrated Products	-	-	-	-
-	Tektronix Inc	-	-	-	-
-	ERP Operating LP	-	-	-	-
-	PS Business Parks	-	-	-	-
	All other Washington County	56,609,740,920	986,407,623		
Total Washington County		$ 62,340,647,387	$ 1,081,328,939		
Hillsboro School District		$ 15,503,796,073			

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

	2009		
Rank	Taxable Assessed Value	Percentage of HSD AV	Percentage of Washington County AV
1	$ 1,101,356,820	10.90%	2.51%
3	411,842,849	4.08%	0.94%
4	343,427,950	3.40%	0.78%
5	283,366,710	2.80%	0.65%
6	286,150,490	2.83%	0.65%
2	438,548,983	4.34%	1.00%
7	171,437,490	1.70%	0.39%
8	135,299,503	1.34%	0.31%
9	115,412,910	1.14%	0.26%
10	102,805,826	1.02%	0.23%
	40,473,472,318		
	$ 43,863,121,849		
	$ 10,102,426,377		

HILLSBORO SCHOOL DISTRICT 1J
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
2009 Through 2018

Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collection in Subsequent Years	Tax Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2018	$ 108,740,079	$ 104,171,341	95.80%	$ -	$ 104,171,341	95.80%
2017	103,666,996	99,478,687	95.96%	683,884	100,162,571	96.62%
2016	100,046,726	95,613,087	95.57%	1,024,988	96,638,075	96.59%
2015	92,272,618	88,208,658	95.60%	1,186,095	89,394,753	96.88%
2014	87,085,501	82,849,198	95.14%	1,716,896	84,566,094	97.11%
2013	84,325,790	80,516,253	95.48%	1,781,903	82,298,156	97.60%
2012	83,738,165	79,664,870	95.14%	3,233,995	82,898,865	99.00%
2011	81,827,938	77,466,427	94.67%	2,931,385	80,397,812	98.25%
2010	78,263,542	73,894,785	94.42%	2,887,906	76,782,691	98.11%
2009	71,924,928	67,817,843	94.29%	2,407,459	70,225,302	97.64%

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)

			Net General Bonded Debt				
Fiscal Year	General Obligation Bonds	Less Amount Available for Repayment	General Bonded Debt	Per ADMw	Per Capita	Pension Obligation Bonds	Certificates of Participation
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
2009	265,497,826	(5,880,421)	259,617,405	13,293	201	102,330,000	4,487,395

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

Capital Leases	Notes Payable	Qualified Energy Conservation Bond	Total Debt: Total District	Total Debt: Per ADMw	Total Debt: Per Capita	Total Net Assessed Valuation	Average Daily Membership
$ 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
-	-	-	372,315,221	19,064	2,140	10,100,422,401	19,530

HILLSBORO SCHOOL DISTRICT 1J
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FOR THE YEAR ENDED JUNE 30, 2018

Overlapping Issuer	Net Property Tax Backed Debt	Percent Overlapping	Net Overlapping Debt
Chemeketa Community College	$ 73,074,244	0.0044%	$ 3,215
Multnomah County	369,970,117	0.0006%	2,220
Metro	205,735,000	6.3406%	13,044,833
Northwest Regional ESD	35,000	18.7657%	6,568
Portland Community College	461,071,466	9.1684%	42,272,876
Washington County SD 13 (Banks)	12,552,846	0.0412%	5,172
Washington County	219,115,761	23.1631%	50,754,003
Washington County SD 1J (Hillsboro 7 Bd)	2,862,570	100.0000%	2,862,570
Tualatin Hills Park & Recreation District	77,707,133	1.8125%	1,408,442
Tualatin Valley Fire & Rescue District	30,635,000	6.6946%	2,050,891
City of Hillsboro	42,280,000	88.0450%	37,225,426
City of North Plains	210,000	100.0000%	210,000
Chehalem Park & Recreation District	27,760,000	0.0221%	6,135
City of Cornelius	1,062,000	32.4564%	344,687
City of Beaverton	34,217,534	0.0500%	17,109
Washington County SD 48J (Beaverton)	1,035,618,531	0.0068%	70,422
Yamhill County	7,608,556	0.0261%	1,986
Subtotal, overlapping debt			150,286,555
Direct District net property tax backed debt			529,913,347
Total direct and overlapping debt			$ 680,199,902

(1) The percentage of overlaping 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
2009 Through 2018

	2018	2017	2016	2015
Debt Limit	$ 2,990,941,202	$ 2,715,928,535	$ 2,421,720,350	$ 2,242,004,958
Total net debt applicable to the limit	355,230,000	114,395,000	139,830,000	163,325,000
Legal debt margin	$ 2,635,711,202	$ 2,601,533,535	$ 2,281,890,350	$ 2,078,679,958
Total net debt applicable to the limit as a percentage of debt limit	11.88%	4.21%	5.77%	7.28%

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 x 0.0055 =	4.95%
Ninth through Twelfth Grade, 4 x 0.0075 =	3.00%
Allowable Percentage	7.95%

2014	2013	2012	2011	2010	2009
$ 1,951,376,163	$ 1,415,000,484	$ 1,497,006,122	$ 1,497,006,112	$ 1,514,893,129	$ 1,556,140,350
276,826,712	298,721,712	316,641,712	334,631,712	352,216,712	367,827,826
$ 1,674,549,451	$ 1,116,278,772	$ 1,180,364,410	$ 1,162,374,400	$ 1,162,676,417	$ 1,188,312,524
14.19%	21.11%	21.15%	22.35%	23.25%	23.64%

HILLSBORO SCHOOL DISTRICT 1J
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
2009 Through 2018

Year	Population	Personal Income (thousands of dollars) (estimated)	Personal Income	Unemployment Rate
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%
2009	134,801	3,640,571	27,007	11.30%

HILLSBORO SCHOOL DISTRICT 1J
PRINCIPAL EMPLOYERS FOR THE PORTLAND, OREGON, METROPOLITAN AREA
Current Year (2018) and Nine Years Ago (2009)

	2018			2009		
Employer	**Employees**	**Rank**	**Percentage of Total Employment**	**Employees**	**Rank**	**Percentage of Total Employment**
Ten Largest Employers:						
Intel Corp.	19,300	1	1.59%	16,740	1	1.65%
Providence Health System	17,543	2	1.45%	14,639	2	1.44%
Oregon Health & Science University	16,200	3	1.33%	11,500	3	1.13%
Legacy Health System	12,955	4	1.07%	8,196	6	0.81%
Nike, Inc.	12,000	5	0.99%	7,648	7	0.75%
Fred Meyer Stores	10,637	6	0.88%	8,221	5	0.81%
City of Portland	7,043	7	0.58%	-	-	-
Portland Public School	6,780	8	0.56%	-	-	-
Multnomah County	6,266	9	0.52%	-	-	-
Beaverton School District	5,207	10	0.43%			
Kaiser Foundation Health Plan	-	-	-	8,500	4	0.84%
Wells Fargo	-	-	-	4,873	8	0.48%
Greenbriar Cos. Inc.	-	-	-	3,972	9	0.39%
Freightliner Corp.	-	-	-	3,500	10	0.34%
Subtotal of ten largest employers	113,931		9.39%	87,789		8.65%
All Other Employers	1,099,869		90.61%	927,411		91.35%
Total Portland-Vancouver-Hillsboro MSA Employment	1,213,800		100.00%	1,015,200		100.00%

Source:
Oregon Employment Department: https://www.qualityinfo.org/multnomah-and-washington
June 2018 Portland-Vancouver-Hillsboro MSA - Current Non-Farm Employment 1,213,800

HILLSBORO SCHOOL DISTRICT 1J
CERTIFIED, CLASSIFIED, AND ADMINISTRATIVE EMPLOYEES
Last Ten Fiscal Years
2009 Through 2018

Fiscal Year	Certified	Classified	Administrative	Supervisory/ Technical	Total
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
2009	1,096	726	76	47	1,945

(1) Full-time equivalent (FTE) positions

Source:
Hillsboro School District 1J payroll records

HILLSBORO SCHOOL DISTRICT 1J
STUDENT ENROLLMENT STATISTICS
Last Ten Fiscal Years
2009 Through 2018

Fiscal Year	Average Daily Membership	Percent Free and Reduced	Net Operating Expenditures per ADM	Student to Teacher Ratio
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
2009	19,530	44%	8,176	18

HILLSBORO SCHOOL DISTRICT 1J
STUDENT ENROLLMENT AND CAPITAL ASSET STATISTICS
Last Ten Fiscal Years
2009 Through 2018

School/(Year Opened)	Square Footage	Fiscal Year Enrollment			
		2018	2017	2016	2015
Brookwood Elementary (1953)	43,041	348	358	391	388
Imlay Elementary (2002)	69,435	520	530	543	523
Butternut Creek Elementary (1977)	34,840	404	402	403	381
Patterson Elementary (2000)	69,435	455	446	464	475
Orenco Elementary (2000)	69,435	631	654	636	606
Indian Hills Elementary (1979)	40,219	478	470	497	495
Reedville Elementary (1922)	16,247	260	235	247	227
Eastwood Elementary (1978)	49,163	452	476	506	518
Farmington View Elementary (1950)	22,867	309	307	295	292
Free Orchards Elementary (2008)	73,500	389	392	402	439
Jackson Elementary (1990)	50,767	566	560	530	553
L.C. Tobias Elementary (1992)	50,000	450	434	440	484
Groner K - 8 (1949)	32,402	234	219	153	141
Lenox Elementary (1949)	51,074	471	472	479	459
McKinney Elementary (1970)	49,163	490	465	462	460
Minter Bridge Elementary (1980)	49,163	473	474	508	500
Moobery Elementary (1963)	49,496	427	455	463	459
North Plains Elementary (1954)	46,913	353	330	299	301
Rosedale Elementary (2009)	73,700	439	432	403	407
Quatama Elementary (2008)	73,100	482	490	472	466
Ladd Acres Elementary (1968)	60,825	533	522	529	507
Lincoln Street Elementary (2008)	73,400	490	518	546	558
W.L. Henry Elementary (1968)	52,813	359	343	360	413
West Union Elementary (1948)	42,757	390	392	366	356
Witch Hazel Elementary (2003)	69,435	510	538	571	574
Brown Middle School (1963)	95,414	731	712	709	708
Evergreen Middle School (1981)	120,000	801	823	808	830
Hillsboro Online Academy (2012)	8,500	197	159	163	193
Thomas Middle School (1928)	Demolished	Closed	Closed	Closed	Closed
South Meadows Middle School (2009)	153,000	700	721	720	730
Poynter Middle School (1959)	83,200	745	739	733	769
Miller Ed Junior High (1959)	9,560	-	-	-	6
Century High School (1997)	265,000	1,506	1,571	1,563	1,611
Glencoe High School (1980)	240,000	1,490	1,543	1,619	1,612
Liberty High School (2003)	288,897	1,477	1,499	1,506	1,491
Hillsboro High School (1969)	253,652	1,268	1,291	1,357	1,340
Miller Ed High School (1958)	20,552	82	65	64	58
		19,910	20,037	20,207	20,330

Source:

From 4/1/18 K-12 Enrollment - HR Dept

2014	2013	2012	2011	2010	2009
360	382	411	443	445	457
524	561	560	590	609	617
389	400	414	414	412	451
477	486	513	548	552	515
629	581	531	515	438	424
444	437	446	449	451	443
229	228	248	247	276	291
510	497	486	486	473	472
222	215	225	220	224	215
481	484	488	499	487	472
548	531	508	527	535	537
517	488	491	523	524	543
140	154	156	175	171	191
435	432	444	427	390	402
468	501	516	497	474	503
512	482	500	464	427	461
479	485	475	493	488	513
298	305	288	313	311	320
394	370	364	350	363	-
547	531	533	556	638	513
506	515	520	571	548	636
574	594	579	543	522	545
426	455	490	451	467	605
283	306	310	314	305	312
608	569	530	559	544	645
738	796	828	821	859	919
829	804	794	827	855	886
170	90	-	-	-	-
Closed	Closed	Closed	Closed	Closed	543
747	740	800	748	750	-
746	722	690	706	678	775
17	22	14	19	22	17
1,669	1,631	1,674	1,584	1,537	1,524
1,615	1,603	1,594	1,580	1,554	1,490
1,429	1,399	1,362	1,289	1,244	1,270
1,352	1,361	1,418	1,426	1,470	1,481
57	76	77	72	60	50
20,369	20,233	20,277	20,246	20,103	20,038

HILLSBORO SCHOOL DISTRICT 1J
TEACHER DATA
2017-18 SCHOOL YEAR

Education	Step	FTE	Salary
BA	A	8.28	$ 43,064
BA	B	7.00	44,872
BA	C	24.43	46,757
BA	D	4.00	48,721
BA	E	6.00	50,767
BA	F	4.90	52,899
BA	G	2.00	55,121
BA	H	3.00	57,436
BA	I	2.00	59,849
BA	J	21.60	62,362
BA+24	A	1.50	44,357
BA+24	B	1.00	46,220
BA+24	C	6.43	48,161
BA+24	D	0.00	50,184
BA+24	E	3.00	52,292
BA+24	F	2.00	54,488
BA+24	G	3.00	56,777
BA+24	H	3.00	59,161
BA+24	I	1.00	61,646
BA+24	J	11.90	64,235
BA+45	A	0.00	45,687
BA+45	B	0.00	47,606
BA+45	C	1.00	49,605
BA+45	D	0.00	51,689
BA+45	E	0.80	53,860
BA+45	F	1.00	56,122
BA+45	G	1.00	58,479
BA+45	H	0.00	60,935
BA+45	I	0.00	63,494
BA+45	J	2.70	66,161
BA+45	K	2.00	68,940
BA+45	L	2.00	71,835
BA+45	M	14.80	74,852
MA	A	32.80	47,060
MA	B	28.77	49,037
MA	C	87.70	51,096
MA	D	24.50	53,242
MA	E	17.25	55,478

Education	Step	FTE	Salary
MA	F	8.20	$ 57,808
MA	G	25.63	60,236
MA	H	19.05	62,766
MA	I	24.92	65,403
MA	J	22.50	68,149
MA	K	23.50	71,012
MA	L	27.93	73,994
MA	M	15.55	77,102
MA	N	136.09	80,340
MA+24	A	0.00	48,471
MA+24	B	1.00	50,507
MA+24	C	19.70	52,628
MA+24	D	6.00	54,838
MA+24	E	9.00	57,141
MA+24	F	9.17	59,541
MA+24	G	11.60	62,042
MA+24	H	14.67	64,648
MA+24	I	12.17	67,363
MA+24	J	12.00	70,192
MA+24	K	12.00	73,140
MA+24	L	6.80	76,212
MA+24	M	7.80	79,413
MA+24	N	65.85	82,749
MA+45	A	1.00	49,924
MA+45	B	1.00	52,020
MA+45	C	9.17	54,205
MA+45	D	10.25	56,482
MA+45	E	8.30	58,854
MA+45	F	12.00	61,326
MA+45	G	16.07	63,902
MA+45	H	18.92	66,586
MA+45	I	11.83	69,382
MA+45	J	18.40	72,296
MA+45	K	13.67	75,333
MA+45	L	14.50	78,497
MA+45	M	12.00	81,793
MA+45	N	145.48	85,229

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2018.

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies as item 2018-001.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, accordingly, we express no opinion on it.

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

December 11, 2018

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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, 2018. 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, 2018.

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

December 11, 2018

HILLSBORO SCHOOL DISTRICT 1J
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

July 1, 2017 - June 30, 2018 Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period Begin Date	 End Date	Revenue and Expenditures	Expenditures to Subrecipients
DEPARTMENT OF AGRICULTURE:						
Passed through Oregon Department of Education:						
Child Nutrition Cluster						
School Breakfast Program (SBP)	10.553	3408001	7/1/2017	6/30/2018	$ 1,239,942	$ -
National School Lunch Program (NSLP)	10.555	3408001	7/1/2017	6/30/2018	4,874,228	-
Summer Food Service Program For Children (SFSPC)	10.559	3408001	7/1/2017	6/30/2018	161,071	-
		Total Pass-Through Programs from Child Nutrition Cluster			6,275,241	-
Child Nutrition Discretionary Grants Limited Availability						
Equipment Grants - Brookwood	10.579	46878	10/1/2016	9/30/2019	6,245	-
Equipment Grants - Groner	10.579	46894	10/1/2016	9/30/2019	6,245	-
Equipment Grants - Liberty	10.579	46895	10/1/2016	9/30/2019	16,957	-
Equipment Grants - Miller	10.579	46896	10/1/2016	9/30/2019	6,781	-
Equipment Grants - McKinney	10.579	46897	10/1/2016	9/30/2019	22,598	-
				Pass-Through	58,826	-
SAE 2017 Reallocation	10.560	3408001	7/1/2017	6/30/2018	23,071	-
				Pass-Through	23,071	-
		Total Pass-Through Programs from Department of Education			6,357,138	-
DEPARTMENT OF AGRICULTURE TOTAL					6,357,138	-
DEPARTMENT OF LABOR:						
Passed through Work Systems, Inc:						
WIOA Cluster						
WIOA Adult Program	17.258	17-50115	10/1/2017	6/30/2018	27,054	8,766
WIOA Youth Activities	17.259	17-50100	7/1/2017	9/30/2017	51,734	19,046
WIOA Youth Activities	17.259	17-50115	10/1/2017	6/30/2018	233,090	31,856
		Total Pass-Through Programs from WIOA Cluster			311,878	59,668
H-1B Job Training Grants	17.268	17-50115	10/1/2017	6/30/2018	71,985	23,180
				Pass-Through	71,985	23,180
		Total Pass-Through Programs from Work Systems, Inc			383,863	82,848
DEPARTMENT OF LABOR TOTAL					383,863	82,848
DEPARTMENT OF ENVIRONMENTAL QUALITY:						
State Clean Diesel Grant Program	66.040	064-18	11/22/2017	3/30/2018	53,768	-
				Direct Program	53,768	-
				Total Direct Programs	53,768	-
DEPARTMENT OF ENVIRONMENTAL QUALITY TOTAL					53,768	-
DEPARTMENT OF EDUCATION:						
Indian Education Formula Grants	84.060	S060A172526	7/1/2017	6/30/2018	24,936	-
				Direct Program	24,936	-
				Total Direct Programs	24,936	-

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, 2018

July 1, 2017 - June 30, 2018 Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period Begin Date	Program Period End Date	Revenue and Expenditures	Expenditures to Subrecipients
Passed through the Office of Vocational Rehabilitation Services						
Rehabilitation Services - Vocational Rehabilitation Grants to States						
Youth Transition Program	84.126	154911	7/1/2017	6/30/2019	$ 137,824	$ -
Total Pass-Through Programs from Office of Vocational Rehabilitation Services					137,824	-
Passed through Oregon Department of Education:						
Title I Grants to Local Educational Agencies (LEAs)						
Title IA	84.010	35990	7/1/2015	9/30/2017	44,690	-
Title IA	84.010	41074	7/1/2016	9/30/2018	372,391	-
Title IA	84.010	45610	7/1/2017	9/30/2018	4,175,813	-
Title ID	84.010	45737	7/1/2017	9/30/2018	18,406	-
2016-17 Focus Improvement - Brookwood Elementary	84.010	41848	7/1/2016	9/30/2017	7,291	-
				Pass-Through	4,618,591	-
Migrant Education - State Grant Program						
Title IC - Migrant Education	84.011	41217	7/1/2016	9/30/2017	28,791	-
Title IC - Migrant Education	84.011	44982	7/1/2017	9/30/2018	781,495	-
Stride Fund	84.011	48591	4/1/2018	9/30/2018	25,417	-
Title IC - Migrant Education - Preschool	84.011	41236	7/1/2016	9/30/2017	2,258	-
Title IC - Migrant Education - Preschool	84.011	44899	7/1/2017	9/30/2018	83,612	-
Title IC - Migrant Education - Summer	84.011	43679	4/15/2017	9/30/2017	279,204	-
Title IC - Migrant Education - Summer	84.011	48627	4/4/2018	9/30/2018	21,339	-
				Pass-Through	1,222,116	-
Migrant Education - Coordination Program						
Title IC - MSIX State Data Quality	84.144	44034	6/1/2017	9/30/2017	2,370	-
				Pass-Through	2,370	-
Office of Special Education and Rehabilitative Services						
Special Education Cluster (IDEA)						
Special Education Grants to States (IDEA, Part B)						
IDEA - Part B Section 611	84.027	41522	7/1/2016	9/30/2018	1,144,559	-
IDEA - Part B Section 611	84.027	45189	7/1/2017	9/30/2019	1,586,199	-
IDEA Enhancement 2017-18	84.027	46448	10/1/2017	9/30/2018	12,731	-
Extended Assessment 2017-18	84.027	45047	7/1/2017	6/30/2018	6,348	-
SPR&I 2017-18	84.027	44402	7/1/2017	6/30/2018	14,588	-
				Pass-Through	2,764,425	-
Special Education Preschool Grants (IDEA Preschool)						
IDEA - Part B Section 619 2016-17	84.173	40600	7/1/2016	9/30/2018	15,990	-
				Pass-Through	15,990	-
Total Pass-Through Programs from Special Education Cluster (IDEA)					2,780,415	-
Office of Vocational and Adult Education						
Career and Technical Education - Basic Grants to States (Perkins IV)						
Perkins Comprehensive Basic	84.048	40313	7/1/2016	9/30/2017	427	-
Perkins Comprehensive Basic	84.048	44288	7/1/2017	9/30/2018	161,198	-
				Pass-Through	161,625	-
Office of Educational Improvement and Innovation						
Education for Homeless Children and Youth						
McKinney Homeless	84.196	46123	7/1/2017	9/30/2018	35,389	-
				Pass-Through	35,389	-

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, 2018

July 1, 2017 - June 30, 2018 Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period Begin Date	 End Date	Revenue and Expenditures	Expenditures to Subrecipients
English Language Acquisition Grants						
Title III - Language Instruction	84.365	36329	7/1/2015	9/30/2017	$ 7,894	$ -
Title III - Language Instruction	84.365	41765	7/1/2016	9/30/2017	165,760	-
Title III - Language Instruction	84.365	44220	7/1/2017	9/30/2018	340,243	-
				Pass-Through	513,897	-
Supporting Effective Instruction State Grant						
Title IIA - Teacher Quality	84.367	36187	7/1/2015	9/30/2017	9,013	-
Title IIA - Teacher Quality	84.367	41329	7/1/2016	9/30/2017	65,614	
Title IIA - Teacher Quality	84.367	45825	7/1/2017	9/30/2018	527,962	-
				Pass-Through	602,589	-
Student Support and Academic Enrichment						
Title IV-A	84.424	47738	7/1/2017	6/30/2018	73,461	-
				Pass-Through	73,461	-
		Total Pass-Through from Oregon Department of Education			10,010,453	-
DEPARTMENT OF EDUCATION TOTAL					10,173,213	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES:						
Affordable Care Act (ACA) Abstinence Education Program						
CAF-SSP (My Future My Choice)	93.235	142674	7/1/2013	6/30/2018	24,958	-
				Direct Program	24,958	-
				Total Direct Programs	24,958	-
Passed through the Oregon Department of Education:						
CCDF Cluster						
Child Care and Development Block Grant	93.575	9841	7/1/2011	12/31/2017	51,075	-
		Total Pass-Through Programs from CCDF Cluster			51,075	-
		Total Pass-Through from Oregon Department of Education			51,075	-
Passed through Washington County:						
Social Services Block Grant	93.667	IGA PAX	7/1/2017	6/30/2018	21,000	-
				Pass-Through	21,000	-
		Total Pass-Through from Washington County			21,000	-
Passed through Northwest Regional Education Service District:						
Medicaid Cluster						
Medical Assistance Program, Title XIX	93.778	2018-612-01	7/1/2017	6/30/2018	472,007	-
		Total Pass-Through Programs from Medicaid Cluster			472,007	-
		Total Pass-Through Programs from Northwest Regional ESD			472,007	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					569,040	-
TOTAL FEDERAL FINANCIAL ASSISTANCE					$ 17,537,022	$ 82,848

RECONCILIATION TO FEDERAL REVENUE RECOGNIZED	
Expenditures of Federal Awards reported on the SEFA	$ 17,537,022
Expenditures of Federal Awards previously recognized	(107,816)
TOTAL FEDERAL REVENUE RECOGNIZED	$ 17,429,206

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 and OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, where applicable, 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, 2018.

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.

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?	Yes
Noncompliance material to financial statements noted?	Yes

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 programs:

CFDA Number(s)	***Name of Federal Program or Cluster***
84.027 & 84.173	Special Education Cluster (IDEA)
84.011	Migrant Education – State Grant Program (Title I, Part C of ESEA)

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

Expenditures in Excess of Appropriations

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.

FINANCIAL STATEMENT FINDINGS *(Continued)*

Expenditures in Excess of Appropriations (Continued)

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

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.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

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, 2018, and have issued our report thereon dated December 11, 2018.

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 as follows:

- 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
December 11, 2018