

# Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2016



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

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**for the Fiscal Year Ended June 30, 2016**

*Prepared by the  
Business Office staff*

Adam Stewart, 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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December 20, 2016

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

In accordance with the provisions of Oregon Revised Statutes, Sections 297.405 to 297.555 and 297.990, known as the Municipal Audit Law, there is submitted herewith the Comprehensive Annual Financial Report of Hillsboro School District 1J, Washington County, Oregon, for the fiscal year ended June 30, 2016.

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, 2016, 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.

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***Engage and challenge all learners to ensure academic excellence***

3083 NE 49th Place, AC 104, Hillsboro, OR 97124-6006  
TEL: 503-844-1500 ■ FAX: 503-844-1551 ■ WEB: [www.hsd.k12.or.us](http://www.hsd.k12.or.us)

## 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 2015-16, management staff consisted of 1 superintendent, 2 assistant superintendents, 5 executive directors, 9 directors, 1 chief financial officer, 1 chief information officer, 1 chief human resource officer, principals, and vice-principals. The Board of Directors approves the hires of all management staff members.

The District also employs 1,128 teachers and 831 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 141,412. 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 1,569, or an average of approximately 0.82 percent per year during the last decade.

School Year	Average Daily Membership
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
07-08	19,122
06-07	18,997

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.

## **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 17,500 employees.

The Oregon Employment Department report for June 2016 shows the PMSA unemployment rate at 5.2 percent. The May 2015 Oregon Economic and Revenue forecast, published by the Oregon Office of Economic Analysis, projects total state general fund net revenues increasing by 12.16 percent in the 2017-2019 biennium, 8.74 percent in the 2019-2021 biennium, and 10.08 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.

This long-term financial plan has been developed by the Board of Directors and the appointed budget committee. 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 committee presented a Long-Range Facility plan for addressing growth and improvements to existing facilities to the Board of Directors in June 2016. The Board authorized the forming of a Bond Advisory Committee in September 2016. This Committee is charged with recommending a bond package to the School Board with the goal of having the package on the November 2017 or May 2018 ballot.

## **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 2015-16 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 \$7.376 billion for K-12 allocations for the 2015-2017 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.

A summary of the approved budget, together with a notice of public hearing, is published in a newspaper having general circulation in the District. A public hearing is held to receive comments from the public concerning the approved budget. The Board of Directors adopts the budget, makes appropriations, and levies taxes after the public hearing and before the beginning of the year for which the budget has been prepared.

**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, we have 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, 2015. This was the twenty-first 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 2016 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



Adam Stewart  
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, 2015**

Executive Director/CEO

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**OFFICIALS OF THE DISTRICT**

**JUNE 30, 2016**

**BOARD OF DIRECTORS**

<u>Position</u>	<u>Name</u>	<u>Term Expiration</u>
Position 1	Janeen Sollman	June 30, 2017
Position 2	Glenn Miller	June 30, 2017
Position 3	Monte Akers	June 30, 2017
Position 4	Kim Strelchun	June 30, 2019
Position 5	Lisa Allen	June 30, 2019
Position 6	Eric Seligman	June 30, 2017
Position 7	Wayne Clift, Chair	June 30, 2019

All Board members receive mail at the address below:

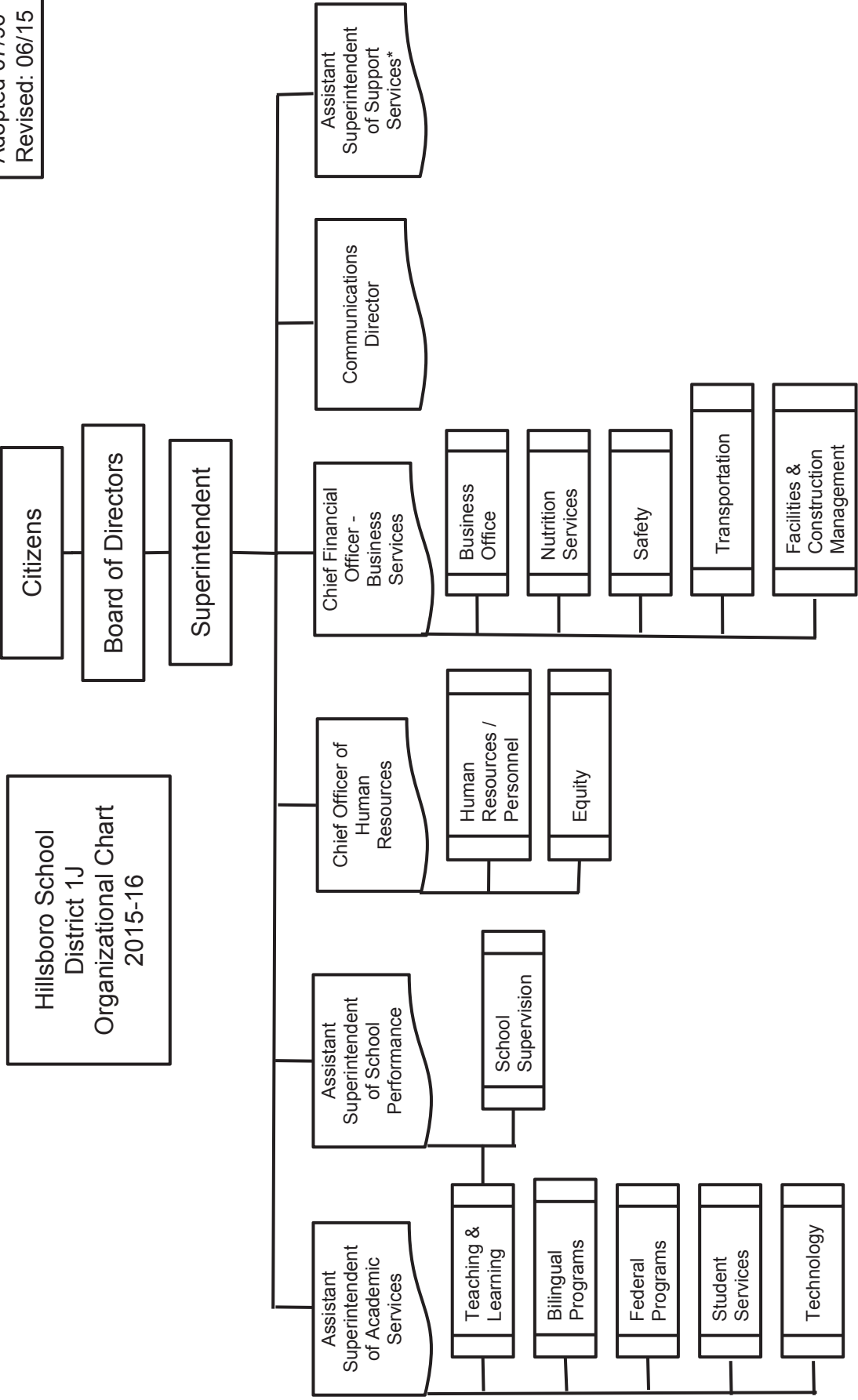
**DISTRICT ADMINISTRATION**

Mike Scott, Superintendent – Clerk  
Adam Stewart, Chief Financial Officer – Deputy Clerk

**DISTRICT ADDRESS**

3083 NE 49<sup>th</sup> Place, #200  
Hillsboro, Oregon 97124

Code: CC-AR  
 Adopted 07/96  
 Revised: 06/15



\*Position to remain unfilled during 2015-16





## 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, 2016, 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, 2016, 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.

## ***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), the budgetary comparison information, the schedules of funding progress for other postemployment benefits, the schedule of the proportionate share of the net pension liability for PERS, and the schedule of contributions for PERS 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 MD&A, the schedules of funding progress for other postemployment benefits, the schedule of the proportionate share of the net pension liability for PERS, and the schedule of contributions for PERS in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison 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 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, combining and 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and 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***

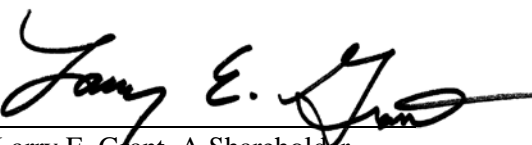
In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 20, 2016, 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 20, 2016

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# **HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

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

### **FOR THE YEAR ENDED JUNE 30, 2016**

As management of Hillsboro School District 1J (the District), we offer the District readers this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. 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 \$40.8 million (net position). Of this amount, \$96.8 million represents the District's net investment in capital assets, \$8.6 million is restricted for special programs, \$6.1 million for debt service, and a (\$152.2) million balance. The District's overall Net Position has decreased from the 2015 value by \$37.9 million. The decrease in net position is due to an external agency reclassification from a retirement system asset to a District level liability. This reclassification affected all employers in the Public Employee Retirement System (PERS), depending on the employee actuarial data and the employer management of the outstanding retirement liability.
- For the fiscal year ended June 30, 2016, the District's total current and other assets decreased by \$29.1 million. This decrease is primarily due to the decrease in PERS net pension assets per the GASB 68 calculation.
- An actuarial study conducted by Independent Actuaries, Inc. projected the Actuarial Accrued Liability for Other Postemployment Benefits (OPEB) to be \$7.2 million, and the Net Pension Obligation to be \$0.9 million as of June 30, 2016.
- The District's governmental funds show a combined ending fund balance of \$29.1 million, an increase of \$0.3 million in comparison with the prior year. The increase is primarily attributable to an increase in special fund revenue, due to the receipt of energy project lease proceeds. At the end of the fiscal year, the fund balance for the General Fund was \$16.6 million, or about 8.5 percent of total General Fund expenditures.
- The District's total current and long-term debt decreased by \$23.8 million during the 2015-16 fiscal year, due to the net effect of debt service payments.

# HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2016

### 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.

# HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED JUNE 30, 2016

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

##### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Hillsboro School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be placed in one category: governmental funds.

##### Governmental Funds

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

The basic governmental fund financial statements can be found on pages 25-28 of this report.

# HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED JUNE 30, 2016

#### 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 29-67 of this report.

##### Supplementary Information

Schedules presenting detailed budgetary information for individual funds and other supplementary information can be found on pages 71-92 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 \$40.8 million at June 30, 2016.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 83.1 percent of total assets. The remaining assets consist mainly of investments, cash, grants, property taxes receivable, and deferred outflows.

The District's largest liability (78.6 percent) is for the repayment of long-term debt. Other liabilities, representing about 21.4 percent of the District's total liabilities, consist of payables on accounts, salaries and benefits, other accrued liabilities, and deferred inflows.

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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**Hillsboro School District 1J**

**Net Position**

**(in thousands)**

	Governmental Activities		Increase
	2016	2015	(Decrease)
Current and other assets	\$ 48,931	\$ 78,080	\$ (29,149)
Capital assets	240,540	245,544	(5,004)
Total assets	289,471	323,624	(34,153)
Deferred outflows of resources	50,851	58,389	(7,538)
Total assets and deferred outflows	340,322	382,013	(41,691)
Current liabilities	77,195	15,326	61,869
Long-term debt outstanding	284,325	307,365	(23,040)
Total liabilities	361,520	322,691	38,829
Deferred inflows of resources	19,563	62,137	(42,574)
Total liabilities and deferred inflows	381,083	384,828	(3,745)
Net position:			
Net investment in capital assets	96,777	78,831	17,946
Restricted	14,705	12,780	1,925
Unrestricted	(152,242)	(94,426)	(57,816)
Total net position	\$ (40,760)	\$ (2,815)	\$ (37,945)

During the current fiscal year, the District's net position decreased by \$37.9 million.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016, are as follows:

	Hillsboro School District 1J Changes in Net Position (in thousands)		
	Governmental Activities 2016	2015	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 6,823	\$ 6,204	\$ 619
Operating grants and contributions	21,132	20,926	206
General revenues:			
Property taxes	97,436	89,516	7,920
State school fund – general support	120,567	121,330	(763)
Unrestricted state and local sources	3,394	5,137	(1,743)
Earnings on investments	460	338	122
Miscellaneous	199	433	(234)
Total Revenues	<u>250,011</u>	<u>243,884</u>	<u>6,127</u>
Expenses:			
Instruction	159,240	90,177	69,063
Support services	106,300	71,099	35,201
Enterprise and community services	10,198	8,308	1,890
Interest on long-term debt	12,218	13,030	(812)
Total Expenses	<u>287,956</u>	<u>182,614</u>	<u>105,342</u>
Increase in net position	(37,945)	61,270	(99,215)
Net position – July 1 (as restated)	<u>(2,815)</u>	<u>(64,085)</u>	<u>61,270</u>
Net position – June 30	<u>\$ (40,760)</u>	<u>\$ (2,815)</u>	<u>\$ (37,945)</u>

**HILLSBORO SCHOOL DISTRICT 1J**

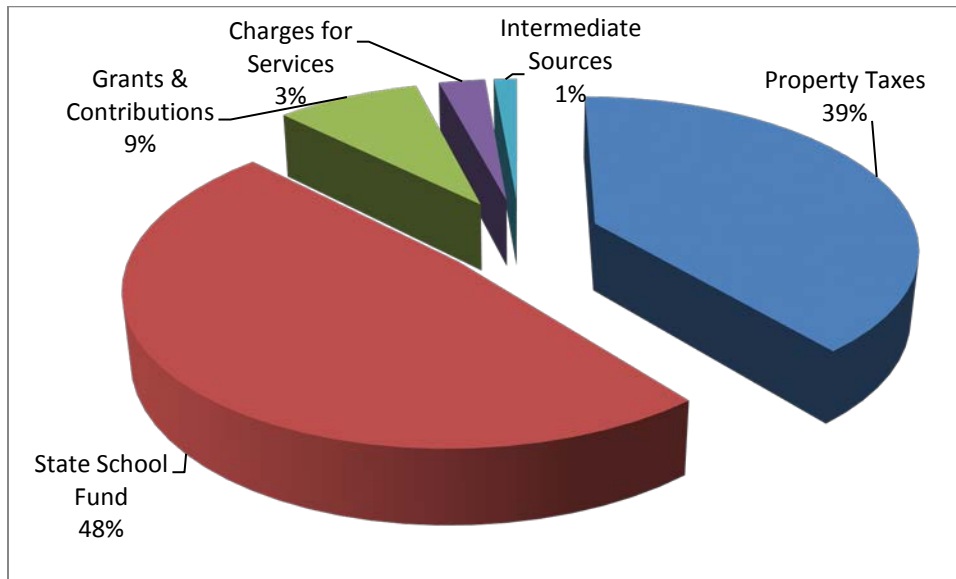
Washington County, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES**



- State School Fund revenue decreased \$0.8 million or 0.6 percent from 2014-15. This decrease was due primarily to an overall decrease in the State School Fund Funding Ratio from 1.551 to 1.547, resulting in fewer dollars per student. The ratio decrease was due to an increase in statewide student population greater than the increase in funding allocation.
- Property Taxes increased by \$7.39 million, reflecting an increase in Assessed Value within the District. Due to legislative changes to tax shelter programs at the state level, a few large, local corporation properties were reassessed. These changes, along with a general increase in property values, resulted in an overall increase to the District on a statewide basis.
- Grants and Contributions increased by \$0.2 million from 2014-15. This increase was primarily due to stabilization after the recession, use of ESD “pass-through” dollars, and other local support.

**HILLSBORO SCHOOL DISTRICT 1J**

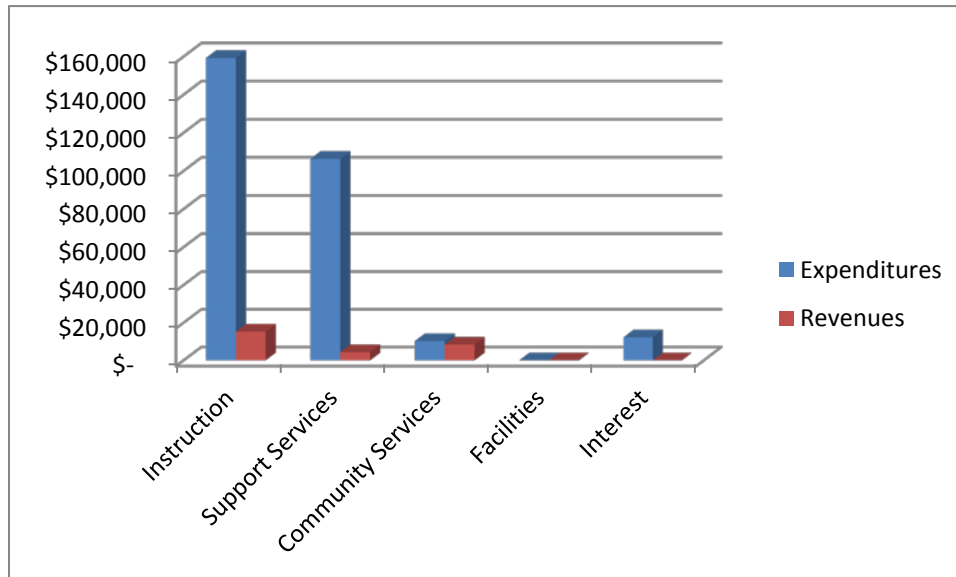
Washington County, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**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, 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, 2016, the District's governmental funds reported combined ending fund balances of \$29.1 million, an increase of \$0.3 million in comparison with the prior year. About \$13.1 million (45.0 percent) of the ending fund balance constitutes unassigned ending fund balance, which is available for spending at the government's discretion.

## HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR THE YEAR ENDED JUNE 30, 2016

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

##### Governmental Funds (Continued)

About \$12.3 million (42.3 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, 2016, the total fund balance was \$16.6 million. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 8.5 percent of total General Fund expenditures.

The fund balance decreased by \$2.5 million during the current fiscal year. This decrease was due primarily to a decrease in State School Fund Revenue.

##### Special Revenue Fund

At June 30, 2016, the fund balance was \$8.6 million, which is an increase of \$3.3 million from the prior year. This increase was caused by lease proceeds for use on an energy conservation project.

##### Debt Service Fund

The Debt Service Fund has a total fund balance of \$1.7 million, all of which is restricted for the payment of debt service. This represents a net increase in fund balance from the prior year of \$0.2 million. The \$1.7 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 \$2.2 million, all of which is restricted for ongoing District capital projects and maintenance. This represents a net decrease in fund balance during the year of \$0.6 million. The decrease is reflective of planned expenditures spent on construction projects that occurred during the year.

**HILLSBORO SCHOOL DISTRICT 1J**

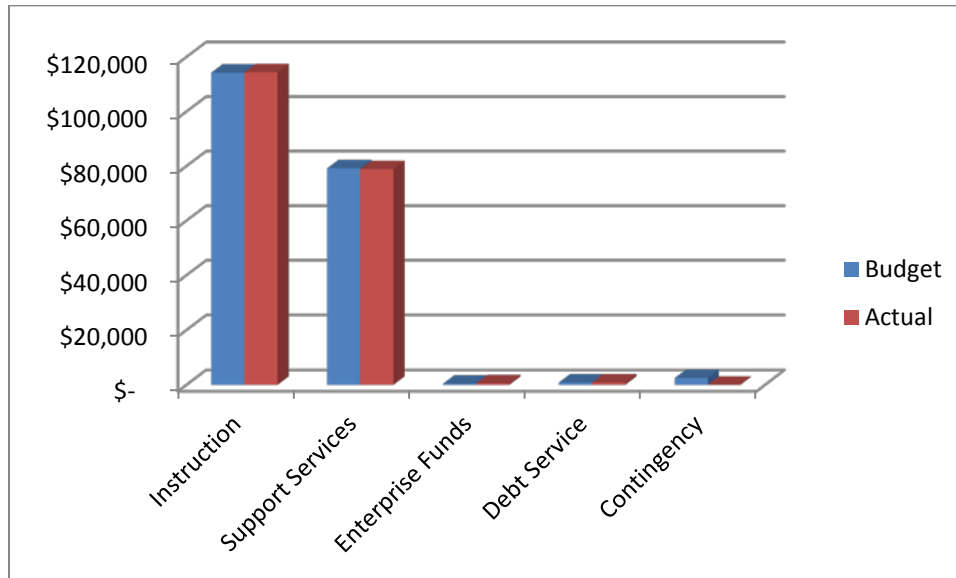
Washington County, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016, was increased by \$1.6 million during the fiscal year by appropriation changes that reduced the budgeted end fund balance. During the year, expenditures were \$2.5 million less than budgeted.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2016, the District had invested over \$241 million in capital assets, net of depreciation, as shown in the following table:

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**Capital Assets (Continued)**

<b>Hillsboro School District 1J</b>			
<b>Capital Assets</b>			
<b>(in thousands)</b>			
	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2016</b>	<b>2015</b>	<b>from Fiscal 2015</b>
Land	\$ 39,437	\$ 39,437	\$ -
Buildings and improvements	190,230	195,614	(5,384)
Vehicles and equipment	10,873	10,493	380
Total	<u>\$ 240,542</u>	<u>\$ 245,544</u>	<u>\$ (5,004)</u>

During the year, the District's investment in capital assets decreased by \$5.0 million. This reduction is due to the retirement of assets and depreciation in the current year.

Additional information regarding the District's capital assets can be found on pages 42-43 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the District had total long-term debt outstanding of \$284 million, consisting of general obligation bonds, certificate of participation notes, capital leases, post retirement obligations, qualified energy conservation bonds and PERS pension bonds, net of unamortized premium/discount.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**Long-Term Debt (Continued)**

	Hillsboro School District 1J		Increase/ (Decrease) from Fiscal 2015
	Outstanding Debt (in thousands)		
	Governmental Activities		
	2016	2015	
General obligation bonds	\$ 140,366	\$ 164,129	\$ (23,763)
Certificates of participation	1,895	2,320	(425)
Capital leases payable	3,027	2,039	988
Note payable	721	1,090	(369)
Net pension obligation	47	85	(38)
PERS pension bonds	127,705	131,410	(3,705)
Post retirement obligations	7,157	6,292	865
Qualified energy conservation bond	3,407	-	3,407
	<u>\$ 284,325</u>	<u>\$ 307,365</u>	<u>\$ (23,040)</u>

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

State statutes limit the amount of general obligation debt a school district may issue to 7.95 percent of its total assessed valuation. The current debt limit for the District is \$2.422 billion, which is significantly in excess of the District's outstanding general obligation debt of \$140.4 million.

Additional information on the District's long-term debt can be found in Note 7 on page 45-49 of this report.

# HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED JUNE 30, 2016

#### **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, 2016, the State School Fund – General Support provided 48.0 percent of the District's General Fund 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.

Reforms to 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 \$2.0 million. The PERS Reserve Fund was rolled into the General Fund for GASB Statement 54 purposes.

The District was able to reach three-year agreements with both the Licensed and Classified bargaining units in 2015. The agreement with the Hillsboro Education Association (HEA) and Hillsboro Classified United (HCU) provide an average annual increase in compensation of 3%. Both HEA and HCU have been willing to partners with the District throughout the Great Recession, and made significant concessions to help mitigate the impact of the decrease in state funding. 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.

#### **8. REQUESTS FOR INFORMATION**

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the District's finances, and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's Chief Financial Officer at 3083 NE 49<sup>th</sup> Place #104, Hillsboro, OR 97124.

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

**ASSETS:**

Cash and investments	\$ 37,314,597
Receivables	11,118,254
Supply inventory	331,082
Prepaid expenses	167,425
Capital assets:	
Not being depreciated	39,436,753
Being depreciated, net of accumulated depreciation	201,103,634
<b>Total assets</b>	<b><u>289,471,745</u></b>

**DEFERRED OUTFLOWS OF RESOURCES:**

Deferred amount on refunding	3,473,125
PERS deferred outflow	47,377,809
<b>Total deferred outflows of resources</b>	<b><u>50,850,934</u></b>
<b>Total assets and deferred outflows of resources</b>	<b><u>340,322,679</u></b>

**LIABILITIES:**

Accounts payable	1,428,204
Accrued payroll, payroll taxes and employee withholdings	11,337,608
Accrued interest payable	308,789
Construction retainage	57,552
PERS net pension liability	60,293,919
Unearned revenue	3,243,425
Accrued compensated absences payable:	
Due within one year	394,093
Due in more than one year	131,364
Long-term debt:	
Due within one year	31,958,836
Due in more than one year	252,365,924
<b>Total liabilities</b>	<b><u>361,519,714</u></b>

**DEFERRED INFLOWS OF RESOURCES:**

PERS deferred inflows	19,562,742
<b>Total deferred inflows of resources</b>	<b><u>19,562,742</u></b>
<b>Total liabilities and deferred inflows of resources</b>	<b><u>381,082,456</u></b>

**NET POSITION:**

Net investment in capital assets	93,370,283
Restricted for:	
Special programs	8,634,227
Debt service	6,070,721
Unrestricted	(148,835,008)
<b>Total net position</b>	<b><u>\$ (40,759,777)</u></b>

The accompanying notes are an integral part of this statement.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2016**

<u>FUNCTION</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
Instruction	\$ 161,454,482	\$ 4,837,643	\$ 10,413,580	\$ (146,203,259)
Support services	103,928,959	346,318	3,990,770	(99,591,871)
Enterprise and community services	10,354,697	1,639,366	6,727,933	(1,987,398)
Interest on long-term debt	12,218,456	-	-	(12,218,456)
<b>Total Governmental Activities</b>	<b>\$ 287,956,594</b>	<b>\$ 6,823,327</b>	<b>\$ 21,132,283</b>	<b>(260,000,984)</b>
GENERAL REVENUES:				
Property taxes levied for general purposes				66,578,201
Property taxes levied for debt service				30,857,723
State School Fund - general support				120,567,483
Unrestricted intermediate sources				3,393,998
Earning on investments				459,813
Miscellaneous				199,122
TOTAL GENERAL REVENUES				<u>222,056,340</u>
CHANGE IN NET POSITION				(37,944,644)
NET POSITION, July 1, 2015				<u>(2,815,133)</u>
NET POSITION, JUNE 30, 2016				<u>\$ (40,759,777)</u>

The accompanying notes are an integral part of this statement.

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

**FUND FINANCIAL STATEMENTS**

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**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

**AT JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and investments	\$ 28,683,375	\$ 4,917,447	\$ 1,849,005	\$ 1,864,770	\$ 37,314,597
Receivables	4,740,319	4,931,733	1,446,202	-	11,118,254
Inventory	112,799	218,283	-	-	331,082
Prepaid items	167,425	-	-	-	167,425
Due from other funds	-	-	-	388,822	388,822
<b>TOTAL ASSETS</b>	<u>\$ 33,703,918</u>	<u>\$ 10,067,463</u>	<u>\$ 3,295,207</u>	<u>\$ 2,253,592</u>	<u>\$ 49,320,180</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 843,963	\$ 575,977	\$ -	\$ 8,264	\$ 1,428,204
Accrued payroll, payroll taxes and employee withholdings	11,337,608	-	-	-	11,337,608
Construction retainage	1,384	56,168	-	-	57,552
Due to other funds	-	-	388,822	-	388,822
Unearned revenue	2,442,334	801,091	-	-	3,243,425
<b>TOTAL LIABILITIES</b>	<u>14,625,289</u>	<u>1,433,236</u>	<u>388,822</u>	<u>8,264</u>	<u>16,455,611</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	2,520,176	-	1,245,123	-	3,765,299
<b>FUND BALANCES:</b>					
Nonspendable					
Inventory	112,799	218,283	-	-	331,082
Prepaid items	167,425	-	-	-	167,425
Restricted for:					
Special Programs	-	8,415,944	-	-	8,415,944
Debt Services	-	-	1,661,262	-	1,661,262
Capital Projects	-	-	-	2,245,328	2,245,328
Assigned for:					
Supplies and text book carryover	1,175,000	-	-	-	1,175,000
PERS reserve	2,000,000	-	-	-	2,000,000
Unassigned	13,103,229	-	-	-	13,103,229
<b>TOTAL FUND BALANCES</b>	<u>16,558,453</u>	<u>8,634,227</u>	<u>1,661,262</u>	<u>2,245,328</u>	<u>29,099,270</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 33,703,918</u>	<u>\$ 10,067,463</u>	<u>\$ 3,295,207</u>	<u>\$ 2,253,592</u>	<u>\$ 49,320,180</u>

The accompanying notes are an integral part of this statement.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

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

**AT JUNE 30, 2016**

<b>TOTAL FUND BALANCES</b>		\$	29,099,270
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Capital assets	\$	400,118,456	
Accumulated depreciation		<u>(159,578,069)</u>	
			240,540,387
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.			3,765,299
In bond refunding, a larger amount paid to the escrow agent than the premiums of the bonds being refunded was recorded as interest expense. This deferred outflow of resources is recognized, based on the schedule of maturities of the refunded bonds.			3,473,125
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.			(525,457)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.			(308,789)
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:			
Net pension obligation		(47,351)	
Note payable		(721,014)	
Bonds payable (net of premium)		(140,365,702)	
Certificates of participation payable (net of discount)		(1,895,283)	
Capital leases payable		(3,026,567)	
Qualified Energy Conservation Bond		(3,406,866)	
Net OPEB obligation		(7,156,977)	
PERS pension bonds payable		<u>(127,705,000)</u>	
			(284,324,760)
Long-term pension assets/liabilities not payable in the current year are not reported as governmental fund liabilities. Actuarially changes create deferred outflows and inflows of resources. These consist of:			
PERS net pension liability		(60,293,919)	
PERS deferred outflow of resources		47,377,809	
PERS deferred inflow of resources		<u>(19,562,742)</u>	
			(32,478,852)
<b>TOTAL NET POSITION</b>		\$	<u><u>(40,759,777)</u></u>

The accompanying notes are an integral part of this statement.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**GOVERNMENTAL FUNDS****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 66,260,830	\$ -	\$ 30,700,922	\$ -	\$ 96,961,752
Charges for services	569,127	5,866,062	-	-	6,435,189
Earnings on investments	353,424	-	100,364	6,025	459,813
Other	912,719	2,218,858	8,717,282	-	11,848,859
Intermediate sources	3,393,998	1,078,618	-	-	4,472,616
State sources	120,567,483	2,161,396	-	-	122,728,879
Federal sources	-	15,803,705	-	-	15,803,705
<b>Total Revenues</b>	<b>192,057,581</b>	<b>27,128,639</b>	<b>39,518,568</b>	<b>6,025</b>	<b>258,710,813</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction	114,340,978	11,170,199	-	-	125,511,177
Support services	76,878,025	7,180,024	1,800	7,715	84,067,564
Enterprise and community services	551,211	8,412,771	-	-	8,963,982
Facilities acquisition and construction	19,909	-	-	208,294	228,203
Capital outlay	1,999,008	2,087,501	-	-	4,086,509
Debt service:					
Other	446	-	(27)	-	419
Principal	726,024	407,150	27,200,000	368,962	28,702,136
Interest	102,195	18,520	12,089,500	41,501	12,251,716
<b>Total Expenditures</b>	<b>194,617,796</b>	<b>29,276,165</b>	<b>39,291,273</b>	<b>626,472</b>	<b>263,811,706</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,560,215)</b>	<b>(2,147,526)</b>	<b>227,295</b>	<b>(620,447)</b>	<b>(5,100,893)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of debt	-	3,406,866	-	-	3,406,866
Proceeds from capital lease purchases	-	1,967,423	-	-	1,967,423
Sale or compensation for loss of capital asset	14,399	38,286	-	-	52,685
Transfers in	500,000	-	-	-	500,000
Transfers out	(500,000)	-	-	-	(500,000)
<b>Total Other Financing Sources (Uses)</b>	<b>14,399</b>	<b>5,412,575</b>	<b>-</b>	<b>-</b>	<b>5,426,974</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,545,816)</b>	<b>3,265,049</b>	<b>227,295</b>	<b>(620,447)</b>	<b>326,081</b>
<b>FUND BALANCES,</b>					
July 1, 2015	19,104,269	5,369,178	1,433,967	2,865,775	28,773,189
<b>FUND BALANCES,</b>					
June 30, 2016	\$ 16,558,453	\$ 8,634,227	\$ 1,661,262	\$ 2,245,328	\$ 29,099,270

The accompanying notes are an integral part of this statement.

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

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

**FOR THE YEAR ENDED JUNE 30, 2016**

<b>NET CHANGES IN FUND BALANCES</b>		\$ 326,081
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Expenditures for capital assets	\$ 4,086,508	
Less current year change in accumulated depreciation	(8,637,551)	
Deletions	<u>(452,420)</u>	(5,003,463)
<p>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.</p>		
		(1,736,562)
<p>Governmental funds do not accrue interest payable, but are accrued in the government-wide statements.</p>		
		33,260
<p>The liability for other post-employment benefits obligation is not recorded in the governmental funds, but is accrued as an expense and a liability in the government-wide statements. These liabilities consist of:</p>		
Other net pension asset	37,311	
Net OPEB obligation	<u>(865,443)</u>	(828,132)
<p>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.</p>		
		(102,317)
<p>Repayment of principal on long-term debt and post-retirement obligations is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets, while additions to bond principal and post-retirement obligations are an expense for the Statement of Net Assets but not the governmental funds.</p>		
Debt issued	(3,406,866)	
Debt principal repaid	28,008,962	
Amortization expense	267,851	
Unamortized discount	<u>(14,858)</u>	24,855,089
<p>Capital lease proceeds are recorded as an other financing source in governmental funds. This debt, however, increases liabilities in the Statement of Net Position.</p>		
Debt issued	(1,967,423)	
Debt principal repaid	<u>980,239</u>	(987,184)
<p>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.</p>		
		474,172
<p>In the Statement of Activities, pension expense is adjusted based upon the actuarially determined contribution changes</p>		
		<u>(54,975,588)</u>
<b>CHANGE IN NET POSITION</b>		<u><u>\$ (37,944,644)</u></u>

The accompanying notes are an integral part of this statement.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Basis of Presentation**

**Government-wide financial statements.** The Statement of Net Position and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed through property taxes, intergovernmental revenues, and other non-exchange transactions.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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 accounts for activities related to the acquisition, construction, equipping, and furnishing of facilities. Principal revenue sources are proceeds from the sale of bonds received in prior years and interest earnings.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**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 the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

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

**Property Taxes**

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

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

**Grants**

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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**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 the government-wide statements, and expensed in the governmental 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 are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial cost of more than \$5,000, and an estimated life in excess of 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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**Compensated Absences (Continued)**

earned in the government-wide financial statements. The total liability for compensated absences due is \$525,457. Compensated leave balances carry over beyond the current year if unused.

A liability and expenditure for these amounts is reported in the governmental funds 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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**Long-term Debt (Continued)**

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.

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.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**Fund Balance (Continued)**

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 Board meeting 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 function level (instruction, support services, community services, 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. Budget amounts shown in the basic financial statements include the original and final budget amounts. Appropriations lapse at the end of each fiscal year.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

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

Budgetary Information (Continued)

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 Funds	Transfers Out
Facilities/Construction	

Expenditures of the various funds were within authorized appropriations, except as follows. In the General Fund, Instruction, Enterprise and Community Services, and Facilities Acquisition and Construction were over-expended by \$145,148, \$144,532, and \$19,909, respectively; in the Special Revenue Fund, Support Services, Enterprise and Community Services, and Debt Service were over-expended by \$1,129,960, \$212,934, and \$425,670, respectively; in the Capital Projects Fund, Support Services and Debt Service Function were over-expended by \$7,715 and \$410,501, respectively; and in the Debt Service Fund, Support Services was over-expended by \$1,800.

- 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.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**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, 2016:

Cash on Hand	\$	2
Deposits with financial institutions:		
Demand Deposits		14,080,814
Money Market		1,389,999
Certificates of Deposit		255,959
Investments		<u>21,587,823</u>
Total	\$	<u><u>37,314,597</u></u>

**Deposits**

The District's deposits with various financial institutions at year end had a bank value of \$17,455,717, and a book value of \$15,669,457. 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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**Custodial Credit Risk – Deposits (Continued)**

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, 2016, \$15,311,151 of the District's bank balances were covered by the PFCP, and \$1,048,641 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 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, 2016.

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, 2016. There were no known violations of legal or contractual

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**Investments (Continued)**

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, 2016, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's Investment Pool	<u>\$ 21,587,823</u>	<u>\$ 21,587,823</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

The District limits investment maturities as follows:

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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**Investments (Continued)**

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, 2016, 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.

Receivables are comprised of the following:

Property taxes	\$ 4,387,234
Grants	4,931,733
Interest and other	<u>1,799,287</u>
Total	<u>\$ 11,118,254</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**4. CAPITAL ASSETS**

Capital assets activity for the year was as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 39,436,753	\$ -	\$ -	\$ 39,436,753
Total capital assets not being depreciated	<u>39,436,753</u>	<u>-</u>	<u>-</u>	<u>39,436,753</u>
Capital assets being depreciated:				
Building and improvements	309,506,547	1,522,504	-	311,029,051
Original furniture and fixtures	23,479,249	-	-	23,479,249
Equipment	3,235,724	149,827	-	3,385,551
Motor vehicles	16,874,458	2,048,008	(452,420)	18,470,046
Information technology equipment	<u>3,951,637</u>	<u>366,169</u>	<u>-</u>	<u>4,317,806</u>
Total capital assets being depreciated	<u>357,047,615</u>	<u>4,086,508</u>	<u>(452,420)</u>	<u>360,681,703</u>
Less accumulated depreciation for:				
Building and improvements	(113,892,762)	(6,906,240)	-	(120,799,002)
Original furniture and fixtures	(20,022,233)	(359,286)	-	(20,381,519)
Equipment	(2,624,092)	(82,151)	-	(2,706,243)
Motor vehicles	(11,680,120)	(1,349,217)	452,420	(12,576,917)
Information technology equipment	<u>(2,721,311)</u>	<u>(393,077)</u>	<u>-</u>	<u>(3,114,388)</u>
Total accumulated depreciation	<u>(150,940,518)</u>	<u>(9,089,971)</u>	<u>452,420</u>	<u>(159,578,069)</u>
Total capital assets being depreciated, net	<u>206,107,097</u>	<u>(5,003,463)</u>	<u>-</u>	<u>201,103,634</u>
Total capital assets, net	<u>\$ 245,543,850</u>	<u>\$ (5,003,463)</u>	<u>\$ -</u>	<u>\$ 240,540,387</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**4. CAPITAL ASSETS (Continued)**

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

<u>Program</u>	
Instruction	\$ 5,129,287
Support Services	3,594,281
Enterprise and Community Services	<u>366,403</u>
Total Depreciation	<u>\$ 9,089,971</u>

**5. COMPENSATED ABSENCES**

Activity for compensated absences for the year ended June 30, 2016 is as follows:

Balance July 1, 2015	\$ 423,140
Additions	525,457
Payments	<u>(423,140)</u>
Balance June 30, 2016	<u>\$ 525,457</u>

**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 increased from \$2.0 million to \$3.0 million due to the purchase of 19 new school buses. The leased buses have a cost of \$4.9 million, and a net book value of \$3.0 million, and accumulated depreciation of \$1.9 million at June 30, 2016. Amortization expense of the period is included in the depreciation expense. The capital lease obligations are paid by a Special Revenue Fund, which is funded by a transportation grant from the State School Fund.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**6. CAPITAL LEASES (Continued)**

<u>Description</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2015</u>	<u>Additions</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2016</u>	<u>Due Within One Year</u>
2013-14 US Bank Bus Lease Purchase	\$ 1,507,649	\$ 904,678	\$ -	\$ 296,264	\$ 608,414	\$ 301,528
2014-15 US Bank Bus Lease Purchase	1,430,050	1,134,705	-	276,825	857,880	281,343
2015-16 US Bank Bus Lease Purchase	<u>1,967,423</u>	<u>-</u>	<u>1,967,423</u>	<u>407,150</u>	<u>1,560,273</u>	<u>380,053</u>
Total	<u>\$ 4,905,122</u>	<u>\$ 2,039,383</u>	<u>\$ 1,967,423</u>	<u>\$ 980,239</u>	<u>\$ 3,026,567</u>	<u>\$ 962,924</u>

Future minimum lease payments are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 962,924	\$ 51,911
2018	979,474	35,360
2019	683,970	18,525
2020	<u>400,199</u>	<u>6,950</u>
Total	<u>\$ 3,026,567</u>	<u>\$ 112,746</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**7. LONG-TERM DEBT**

Long-term debt is comprised of:

	<u>Total</u>	<u>Due Within One Year</u>
Bonds payable	\$ 140,365,702	\$ 25,435,000
Certificates of participation	1,895,283	455,000
Capital leases payable	3,026,567	962,924
Notes payable	721,014	385,912
Net OPEB obligation	7,156,977	-
Net pension obligation	47,351	-
PERS pension bonds	127,705,000	4,720,000
Qualified Energy Conservation Bond	3,406,866	-
Balance June 30, 2016	284,324,760	<u>\$ 31,958,836</u>
Due within one year	<u>31,958,836</u>	
Due in more than one year	<u>\$ 252,365,924</u>	

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

**Bonds Payable**

Bonds payable transactions for the year are as follows:

<u>Description</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2015</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2016</u>	<u>Due Within One Year</u>
Hillsboro School District 1J, refunding issue May 2005, interest rate 3.7-5.12%	\$ 78,055,000	\$ 33,680,000	\$ 10,365,000	\$ 23,315,000	\$ 11,210,000
Hillsboro School District 1J, issued December 2006, interest rate 4.0-5.0%	168,996,712	17,565,000	8,410,000	9,155,000	9,155,000
Hillsboro School District 1J, refunding issued November 2012, interest rate 1.5-5.0%	98,950,000	98,015,000	395,000	97,620,000	400,000
Hillsboro School District 1J, refunding issue August 2014, interest rate 0.88%	<u>18,290,000</u>	<u>14,065,000</u>	<u>4,325,000</u>	<u>9,740,000</u>	<u>4,670,000</u>
Total	364,291,712	163,325,000	23,495,000	139,830,000	25,435,000
Unamortized Premium	<u>-</u>	<u>803,553</u>	<u>267,851</u>	<u>535,702</u>	<u>-</u>
Grand Total	<u>\$ 364,291,712</u>	<u>\$ 164,128,553</u>	<u>\$ 23,762,851</u>	<u>\$ 140,365,702</u>	<u>\$ 25,435,000</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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
2017	25,435,000	5,946,626
2018	27,560,000	4,754,425
2019	11,130,000	3,554,212
2020	11,925,000	3,134,325
2021	12,845,000	2,607,325
2022-25	50,935,000	4,691,450
	<u>\$ 139,830,000</u>	<u>\$ 24,688,363</u>

In prior years, the District and certain of its predecessor districts 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, 2016, defeased bonds remaining outstanding total \$130,675,000.

**Other Long-Term Debt**

On April 9, 2014, the District signed promissory notes to purchase real property for the sum of \$1,500,000. The notes call for monthly principal and interest payments of \$34,205, beginning on May 11, 2014, and ending on April 11, 2018. The annual interest rate is 4.5 percent.

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, beginning in June 2016 and ending June 2034.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**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.

The issuance of the bonds was evaluated based on advance refunding criteria. The total estimated present value savings over the life of the issuance is approximately \$30.8 million. The actual savings realized by the District over the life of the bonds is uncertain due to various legislative changes and legal issues pending with the PERS system, which could impact the District's future required contribution rate.

<u>Description</u>	<u>Outstanding June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding June 30, 2016</u>	<u>Due within One Year</u>
Certificate of participation (COP)	\$ 2,365,000	\$ -	\$ (440,000)	\$ 1,925,000	\$ 455,000
Unamortized discount	(44,575)	-	14,858	(29,717)	-
Net COPs	2,320,425	-	(425,142)	1,895,283	455,000
Note payable	1,089,976	-	(368,962)	721,014	385,912
PERS pension bonds	131,410,000	-	(3,705,000)	127,705,000	4,720,000
Qualified Energy Conservation Bond	-	3,406,866	-	3,406,866	-
Total	<u>\$ 134,820,401</u>	<u>\$ 3,406,866</u>	<u>\$ (4,499,104)</u>	<u>\$ 133,728,163</u>	<u>\$ 5,560,912</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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
2017	\$ 5,560,912	\$ 5,813,772
2018	6,626,603	5,595,032
2019	6,979,002	5,345,859
2020	7,916,684	5,066,541
2021	8,284,554	4,746,118
2022-2026	55,507,399	17,543,409
2027-2031	32,821,820	5,252,268
2031-2034	10,060,906	793,649
Total	<u>\$ 133,757,880</u>	<u>\$ 50,156,648</u>

8. **NET PENSION OBLIGATION (NPO)/OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS**

The District maintains single employer post-employment benefit programs (commonly referred to as early retirement). These programs cover licensed and administrative personnel of the District, individual employees, and certain retired employees.

As established by employee contracts, retiree stipends are determined by employee group:

- Administrative personnel are not required to have retired prior to June 30, 2004, but must meet the same longevity and PERS criteria as licensed employees.
- The District will pay eligible administrative employees a monthly stipend of \$500 for four years or until the employee reaches age 65, whichever occurs first.
- For individual employees and retired employees of certain predecessor districts, the requirements of these benefits vary, but generally follow the benefits being paid under the current early retirement plans, plus group insurance.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**8. NET PENSION OBLIGATION (NPO)/OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS (Continued)**

**GASB Statement 27**

The District implemented GASB Statement 27, *Accounting and Financial Reporting by Employers for Pensions*, for the fiscal year ended June 30, 2008. This implementation allows the District to report its liability for other post-employment benefits consistent with established generally accepted accounting principles, and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

The total expense for benefits to teachers and administrators retired under these programs was \$30,000 for the 2015-16 school year. The District covers these obligations through annual appropriations to an Early Retirement Trust Fund.

Program membership at year-end was no licensed, no classified, and six administrators.

Annual Pension Cost and Net Pension Obligation – The annual pension cost and net pension obligation is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the excess over a period not to exceed 30 years, the components of the annual pension cost for the year ending June 30, 2016, amount actually contributed to the plan, and changes in the net pension obligation:

<u>Description</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual required contributions	\$ 39,322	\$ 40,797	\$ 31,634
Interest on net OPEB	2,911	2,538	3,386
Adjustment to ARC for Net Pension Obligation	<u>(18,236)</u>	<u>(15,899)</u>	<u>(42,331)</u>
Annual pension cost (APC)	23,997	27,436	(7,311)
Expected contributions	<u>(33,322)</u>	<u>(6,212)</u>	<u>(30,000)</u>
Increase (Decrease) in net pension obligation	(9,325)	21,224	(37,311)
Net Pension Obligation (Asset) at beginning of year	72,763	63,438	84,662
Net Pension Obligation (Asset) at end of year	<u>\$ 63,438</u>	<u>\$ 84,662</u>	<u>\$ 47,351</u>
Percentage of APC contributed	139%	23%	-410%

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**8. NET PENSION OBLIGATION (NPO)/OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS (Continued)**

**Actuarial Methods and Assumptions - GASB Statement 27**

The annual required contribution (ARC) for the current year was determined as part of the July 1, 2015, actuarial valuation using the projected unit credit cost method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost, and the healthcare cost trend. The actuarial assumptions included: (a) a rate of return on investment of 4 percent; (b) overall payroll growth of 3.75 percent per year; (c) retirement rate assumptions; and (d) insurance premium trend rate of 10 percent, then graded down by .5 percent to 5 percent. Amounts determined regarding the funded plan status and annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. A separately issued NPO plan report is not available. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll, on a closed basis, over a period of four years.

Under this method, the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to retirement eligibility. The normal cost is the present value of benefits expected to accrue in the current year.

**Funding Status and Funding Progress - GASB Statement 27**

As of June 30, 2015, the actuarial accrued liability for benefits was \$60,834, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$60,834. The Annual Required Contribution (ARC) for June 30, 2016, was actuarially determined to be \$31,634.

The required schedule of funding process presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**8. NET PENSION OBLIGATION (NPO)/OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS (Continued)**

**GASB Statement 45**

The District implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, for the fiscal year ended June 30, 2008. This implementation allows the District to report its liability for other post-employment benefits consistent with established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Continued medical coverage of the eligible early retirees and their dependents is a benefit that is expected to continue indefinitely, in part because it is required by Oregon Statute.

**Annual OPEB Cost and Net OPEB Obligation (Insurance) - GASB Statement 45**

The annual OPEB cost and net OPEB obligation is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45 using the projected unit credit actuarial method. The ARC represents a level of funding that is, if paid on an ongoing basis, projected to cover normal cost each year, and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual pension cost, the amount actually contributed to the plan, and changes in the net OPEB obligation at the end of the year:

Description	2014	2015	2016
Annual required contribution	\$ 1,713,707	\$ 1,777,970	\$ 1,734,733
Interest on net OPEB	194,034	224,905	251,662
Adjustment to ARC for Net Pension Obligation	(167,385)	(194,019)	(217,099)
Annual pension cost (APC)	1,740,356	1,808,856	1,769,296
Expected Contributions	968,548	1,139,968	903,853
Increase (Decrease) in net pension obligation	771,808	668,888	865,443
Net Pension Obligation (Asset) at beginning of year	4,850,838	5,622,646	6,291,534
Net Pension Obligation (Asset) at end of year	\$ 5,622,646	\$ 6,291,534	\$ 7,156,977
Percentage of Annual OPEB Cost Contributed	56%	63%	51%

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**8. NET PENSION OBLIGATION (NPO)/OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS (Continued)**

**Actuarial Methods and Assumptions - GASB Statement 45**

Projections of benefits for financial reporting purposes are based on the substantive plan in effect at the time of each valuation, and on the pattern of sharing of costs between the employer and plan members to that point. The annual required contribution (ARC) for the current year was determined as part of the July 1, 2015, actuarial valuation using the unit credit cost method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial methods and assumptions used are consistent with the long-term perspective of the calculations. Examples include assumptions about mortality, claim cost, and the healthcare cost trend. The actuarial assumptions included: (a) a rate of return on investment of 4 percent, (b) overall payroll growth of 3.75 percent per year, (c) retirement rate assumptions, and (d) insurance premium trend rate of 10 percent, then graded down by .5 percent per year to 5 percent. Amounts determined regarding the funded status of the plan and annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A separately issued OPEB plan report is not available. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls, on a closed basis, over a period of thirty years.

**Funding Status and Funding Progress - GASB Statement 45**

As of June 30, 2015, the actuarial accrued liability for benefits was \$16,808,855, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,808,855. The annual payroll for active employees covered by the plan in the actuarial valuation was \$112,829,351 for a ratio of UAAL to covered payroll of 14.9 percent. The Annual Required Contribution (ARC) for June 30, 2016, was actuarially determined to be \$1,734,733.

The required schedule of funding process presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability over benefits.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**8. NET PENSION OBLIGATION (NPO)/OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS (Continued)**

**Termination Benefits**

A termination benefits program was established during 2010-11. The plan is, in substance, a single-employer defined benefit plan established under collective bargaining agreements.

As established by employee contracts, retiree stipends are determined by employee group:

- Full-time licensed employees who retired during the 2010-11 school year, and were at the top of Columns C, D, E, or F on the Licensed Salary Schedule were eligible for a \$750 per month stipend for a total of 24 months, or until the employee and spouse become eligible for Medicare coverage. This benefit was prorated based on FTE.
- Full-time classified and supervisory/technical employees who retired during the 2010-11 school year with 15 years of service in the Hillsboro School District, or were at the top of the Classified Salary Schedule were eligible for a \$450 per month stipend for a total of 24 months or until the employee and spouse become eligible for Medicare coverage. This benefit was prorated based on FTE.
- Full-time administrative employees who retired during the 2010-11 school year with 15 years of service in the Hillsboro School District, or at the top of the Administrative Salary Schedule, were eligible for a \$700 per month stipend for a total of 24 months or until the employee and spouse become eligible for Medicare coverage. This benefit was prorated based on FTE.

A new termination benefits program was established during 2012-13. The plan is, in substance, a single employer defined benefit plan established under collective bargaining agreements.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**8. NET PENSION OBLIGATION (NPO)/OTHER POST-EMPLOYMENT BENEFITS (OPEB)/ TERMINATION BENEFITS (Continued)**

**Funding Status and Funding Progress - GASB Statement 45 (Continued)**

As established by employee contracts, retiree stipends are determined by employee group:

- Full-time licensed employees who retired during the 2012-13 school year, and were at the top of Columns C, D, E, or F on the Licensed Salary Schedule were eligible for a \$600 per month stipend for a total of 24 months or until the employee and spouse become eligible for Medicare coverage. This benefit was prorated based on FTE.

Program membership at year end was 16 licensed.

In accordance with GASB Statement 47, *Termination Benefits*, a liability has been determined for the plan. As of June 30, 2016, the District's potential liability for its termination benefits plan is \$0. No separate trust was established.

**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/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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 benefits.
- **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.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

9. **PENSION PLAN (Continued)**

**PERS Pension (Chapter 238) (Continued)**

- **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. The cap on the COLA will vary based on the amount of the annual benefit.

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

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

- **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
  - Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
  - General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

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

- **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

9. **PENSION PLAN (Continued)**

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

- **Disability Benefits.** A member who has accrued ten or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary, determined as of the last full month of employment before the disability occurred.
- **Benefit Changes After Retirement.** Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. The cap on the (COLA) will vary based on the amount of the annual benefit.

**Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Post-Employment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation, which became effective July 1, 2015. 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, 2016, were \$9,876,528, excluding amounts to fund employer specific liabilities. Approximately \$9,846,301 was charged for the year ended June 30, 2016, as PERS benefits expenditures to be used for bond payments as they become due. Approximately \$54,975,588 was recognized as employer pension revenue during the reporting period.

At June 30, 2016, the District reported a net pension liability of \$60,293,919 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2013, 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, 2013, the District's proportion was 1.05 percent.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

9. **PENSION PLAN (Continued)**

**Contributions (Continued)**

PERS Schedule of Pension Amounts under GASB 68  
June 30, 2016

	<u>Deferred Outflow of Resources</u>	<u>Deferred (Inflow) of Resources</u>
Differences between expected and actual experience	\$ 3,251,353	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	(12,638,972)
Changes in proportionate share	-	(5,795,273)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>34,249,928</u>	<u>(1,128,497)</u>
Subtotal-Amortized Deferrals	<u>37,501,281</u>	<u>(19,562,742)</u>
District contributions subsequent to measurement date	<u>9,876,528</u>	
Net deferred outflow(inflow) of resources	<u>\$ 27,815,067</u>	

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

<u>Year ending June 30</u>	<u>Amount</u>
2016	\$ 861,956
2017	861,956
2018	861,956
2019	12,470,309
2020	<u>2,882,361</u>
Total	<u>\$ 17,938,538</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB Statement 68 reporting summary dated May 23, 2016. Oregon PERS produces an independently audited CAFR which can be found at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financial.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx).

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

9. **PENSION PLAN (Continued)**

**Actuarial Valuations**

The employer contribution rates effective July 1, 2015, through June 30, 2017, 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.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

9. **PENSION PLAN (Continued)**

**Actuarial Methods and Assumptions**

Valuation date	December 31, 2013
Measurement date	June 30, 2015
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.75 percent
Long-term expected rate of return	7.75 percent
Discount rate	7.75 percent
Projected salary increases	3.75 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	<b>Healthy retirees and beneficiaries:</b> RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. <b>Active members:</b> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. <b>Disabled retirees:</b> Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

(Source: June 30, 2015 PERS CAFR; page 57)

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even-numbered years. The method and assumptions shown are based on the 2014 Experience Study, which is reviewed for the four-year period ending December 31, 2014.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

9. **PENSION PLAN (Continued)**

**Actuarial Methods and Assumptions (Continued)**

- **Discount Rate.** The discount rate used to measure the total pension liability was 7.75 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 2013 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time, based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<b>Asset Class</b>	<b>Target Allocation*</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Core Fixed Income	7.20%	4.70%	4.50%	6.60%
Short-Term Bonds	8.00	3.76	3.70	3.45
Intermediate-Term Bonds	3.00	4.23	4.10	5.15
High Yield Bonds	1.80	7.21	6.66	11.10
Large Cap US Equities	11.65	8.60	7.20	17.90
Mid Cap US Equities	3.88	9.38	7.30	22.00
Small Cap US Equities	2.27	10.38	7.45	26.40
Developed Foreign Equities	14.21	8.73	6.90	20.55
Emerging Market Equities	5.49	11.51	7.40	31.70
Private Equity	20.00	11.95	8.26	30.00
Hedge Funds/Absolute Return	5.00	6.46	6.01	10.00
Real Estate (Property)	13.75	7.27	6.51	13.00
Real Estate (REITS)	2.50	8.41	6.76	19.45
Commodities	1.25	7.71	6.07	19.70
Assumed Inflation - Mean			2.75%	2.00%

\* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 18, 2012, and the revised allocation adopted at the June 26, 2013 OIC meeting.

(Source: June 30, 2015 PERS CAFR; page 57; Table 29)

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

9. **PENSION PLAN (Continued)**

- **Depletion Date Projection.** GASB 67 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 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) 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 67 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 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**9. PENSION PLAN (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 7.75 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 (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

**Sensitivity of Net Pension/Liability to Changes in the Discount Rate (in Millions) As of June 30, 2015**

<b>Employers' Net Pension Liability/(Asset)</b>	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Defined Benefit Pension Plan	\$ 145,517,129	\$ 60,293,919	\$ (11,526,858)

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 [https://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](https://www.oregon.gov/pers/Pages/section/financial_reports/financials.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, 2016, 2015, and 2014.

**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.

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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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

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.

**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, 2016, were as follows:

General Fund	<u>\$ 167,425</u>
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**13. NEW ACCOUNTING STANDARDS IMPLEMENTED**

For the fiscal year ended June 30, 2016, the District implemented the following new accounting standards:

- **GASB Statement 72**, *Fair Value Measurement and Application*. The statement provides guidance on determining, accounting for, and reporting fair value measurements.
- **GASB Statement 76**, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement establishes the hierarchy of generally accepted accounting principles (GAAP) to two categories, superseding GASB Statement 55.

**14. NEW PRONOUNCEMENTS**

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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**14. NEW PRONOUNCEMENTS (Continued)**

- **GASB Statement 73**, *Pension Transition for Contributions Made Subsequent to the Measurement Date Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes accounting and financial reporting requirements related to pensions provided by governments that are not within the scope of GASB Statement 68, extending that approach to all pensions. The statement is effective for fiscal years beginning after June 15, 2016.
- **GASB Statement 74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement establishes accounting and financial reporting requirements related to other post-employment benefits plans, replacing GASB Statements 43 and 57. The statement is effective for fiscal years beginning after June 15, 2016.
- **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. The statement is effective for fiscal years beginning after June 15, 2017.
- **GASB Statement 77**, *Tax Abatement Disclosures*. The statement establishes accounting and reporting guidance on tax abatement agreements for governments. The statement is effective for fiscal years beginning after December 15, 2015.
- **GASB Statement 78**, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meets certain criteria. The statement is effective for fiscal years beginning after December 15, 2015.
- **GASB Statement 79**, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The statement is effective for fiscal years beginning after December 15, 2015.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**14. NEW PRONOUNCEMENTS (Continued)**

- **GASB Statement 80**, *Blending Requirements for Certain Component Units – an amendment of GASB Statement 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The statement is effective for fiscal years beginning after June 15, 2016.
- **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. The statement is effective for fiscal years beginning after December 15, 2016.
- **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. The statement is effective for fiscal years beginning after June 15, 2016.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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**HILLSBORO SCHOOL DISTRICT II**

Washington County, Oregon

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**  
**OTHER POST-EMPLOYMENT BENEFITS**

**JUNE 30, 2016**

**PLAN 1 (STIPENDS)**

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Plan Assets	PUC Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2007	\$ -	\$ 457,482	\$ 457,852	\$ -	\$ 95,660,738	0.50%
6/30/2009	-	100,684	100,684	-	105,720,063	0.10%
6/30/2011	-	202,324	202,324	-	99,444,639	0.20%
6/30/2013	-	134,501	134,501	-	106,957,887	0.10%
6/30/2015	-	60,834	60,834	-	N/A	N/A

Schedule of Employer Contributions:

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2008	\$ 223,320	121%
2009	41,873	169%
2010	45,651	62%
2011	47,989	18%
2012	63,944	20%
2013	55,366	27%
2014	23,997	139%
2015	11,038	208%
2016	(7,311)	N/A

The above table represents the most recent actuarial valuations for the District's post-retirement pension stipend and it provides information that approximates the funding progress of the plan.

Note – The Hillsboro School District's initial Post-Employment Benefits actuarial study was completed for the 2007-08 school year. No figures are available prior to June 30, 2008.

**HILLSBORO SCHOOL DISTRICT II**

Washington County, Oregon

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**  
**OTHER POST-EMPLOYMENT BENEFITS**

**JUNE 30, 2016**

**PLAN 2 (HEALTH INSURANCE)**

The Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>PUC Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
7/1/2007	\$ -	\$ 6,752,665	\$ 6,752,665	\$ -	\$ 95,660,738	7.10%
7/1/2009	-	18,504,189	18,504,189	-	105,720,063	17.50%
7/1/2011	-	18,308,786	18,308,786	-	99,444,639	18.40%
7/1/2013	-	17,162,154	17,162,154	-	106,957,887	16.00%
7/1/2015	-	16,808,855	16,808,855	-	112,829,351	14.90%

Schedule of Employer Contributions:

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2008	\$ 824,475	39%
2009	827,224	47%
2010	2,047,690	50%
2011	2,129,923	54%
2012	1,960,203	52%
2013	2,038,271	53%
2014	1,740,356	56%
2015	1,808,856	63%
2016	1,839,100	54%

The above table represents the most recent actuarial valuations for the District's post-retirement pension stipend and it provides information that approximates the funding progress of the plan.

**HILLSBORO SCHOOL DISTRICT II**

Washington County, Oregon

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

**JUNE 30, 2016**

<u>Year Ended June 30,</u>	<u>Employer's proportion of the net pension liability (NPL)</u>	<u>Employer's proportionate share of the net pension liability (NPL)</u>	<u>Employer's covered payroll</u>	<u>NPL as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2016	1.05%	\$ 60,293,919	\$ 100,728,284	59.9%	91.9%
2015	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%

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

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.

**HILLSBORO SCHOOL DISTRICT II**

Washington County, Oregon

**SCHEDULE OF CONTRIBUTIONS FOR PERS**

**JUNE 30, 2016**

<u>Year Ended June 30,</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Employer's covered payroll</u>	<u>Contributions as a percent of covered payroll</u>
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%

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

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.

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

**GENERAL FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual		GAAP Basis	Variance with Final Budget
			Budget Basis	Adjustments		
<b>REVENUES:</b>						
Local sources						
Property taxes	\$ 60,936,410	\$ 60,936,410	\$ 66,260,830	\$ -	\$ 66,260,830	\$ 5,324,420
Charges for services	536,860	536,860	569,127	-	569,127	32,267
Earnings on investments	284,034	284,034	353,424	-	353,424	69,390
Other	1,166,437	1,166,437	912,719	-	912,719	(253,718)
Intermediate sources	4,484,633	4,484,633	3,393,998	-	3,393,998	(1,090,635)
State sources	123,313,241	123,313,241	120,567,483	-	120,567,483	(2,745,758)
<b>Total Revenues</b>	<b>190,721,615</b>	<b>190,721,615</b>	<b>192,057,581</b>	<b>-</b>	<b>192,057,581</b>	<b>1,335,966</b>
<b>EXPENDITURES:</b>						
Current						
Instruction	113,421,291	114,221,291 (1)	114,366,439	(25,461)	114,340,978	(145,148)
Support services	78,380,492	79,180,492 (1)	78,851,572	(1,973,547)	76,878,025	328,920
Enterprise and community services	406,679	406,679 (1)	551,211	-	551,211	(144,532)
Facilities acquisition and construction	-	- (1)	19,909	-	19,909	(19,909)
Debt service	848,214	848,214 (1)	828,665	-	828,665	19,549
Contingency	2,500,000	2,500,000 (1)	-	-	-	2,500,000
Capital Outlay	-	-	-	1,999,008	1,999,008	-
<b>Total Expenditures</b>	<b>195,556,676</b>	<b>197,156,676</b>	<b>194,617,796</b>	<b>-</b>	<b>194,617,796</b>	<b>2,538,880</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>						
	(4,835,061)	(6,435,061)	(2,560,215)	-	(2,560,215)	3,874,846
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(500,000)	(500,000) (1)	(500,000)	-	(500,000)	-
Sale or compensation for loss of fixed asset	-	-	14,399	-	14,399	14,399
<b>Total other financing sources (uses)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(485,601)</b>	<b>-</b>	<b>(485,601)</b>	<b>14,399</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(5,335,061)</b>	<b>(6,935,061)</b>	<b>(3,045,816)</b>	<b>-</b>	<b>(3,045,816)</b>	<b>3,889,245</b>
<b>FUND BALANCE, July 1, 2015</b>	<b>16,659,380</b>	<b>16,659,380</b>	<b>17,604,269</b>	<b>-</b>	<b>17,604,269</b>	<b>944,889</b>
<b>FUND BALANCE, June 30, 2016</b>	<b>\$ 11,324,319</b>	<b>\$ 9,724,319</b>	<b>14,558,453</b>	<b>\$ -</b>	<b>\$ 14,558,453</b>	<b>\$ 4,834,134</b>

Reconciliation to Governmental Fund Balance as required by GASB Statement 54

Ending Fund Balance:

PERS Reserve Fund

2,000,000

(1) Appropriation Level

\$ 16,558,453

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

**SPECIAL REVENUE FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>	<u>Variance with Final Budget</u>
			<u>Budget Basis</u>	<u>Adjustments</u>		
<b>REVENUES:</b>						
Local sources						
Construction excise tax	\$ 800,439	\$ 800,439	\$ 1,176,263	\$ -	\$ 1,176,263	\$ 375,824
Charges for services	5,728,794	5,728,794	5,866,062	-	5,866,062	137,268
Other	1,928,235	2,359,497	1,042,595	-	1,042,595	(1,316,902)
Intermediate sources	404,632	642,396	1,078,618	-	1,078,618	436,222
State sources	2,317,517	3,052,727	2,161,396 (2)	-	2,161,396	(891,331)
Federal sources	14,276,933	14,892,344	15,803,705	-	15,803,705	911,361
<b>Total Revenues</b>	<u>25,456,550</u>	<u>27,476,197</u>	<u>27,128,639</u>	<u>-</u>	<u>27,128,639</u>	<u>(347,558)</u>
<b>EXPENDITURES:</b>						
Current						
Instruction	10,526,171	11,653,490 (1)	11,258,740	(88,541)	11,170,199	394,750
Support services	7,233,026	8,039,162 (1)	9,169,122	(1,989,098)	7,180,024	(1,129,960)
Enterprise and community services	8,123,507	8,209,699 (1)	8,422,633	(9,862)	8,412,771	(212,934)
Facilities acquisition and construction	1,499,912	1,499,912 (1)	-	-	-	1,499,912
Debt Service	-	- (1)	425,670	-	425,670	(425,670)
Capital Outlay	-	-	-	2,087,501	2,087,501	-
<b>Total Expenditures</b>	<u>27,382,616</u>	<u>29,402,263</u>	<u>29,276,165</u>	<u>-</u>	<u>29,276,165</u>	<u>126,098</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>						
	(1,926,066)	(1,926,066)	(2,147,526)	-	(2,147,526)	(221,460)
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital lease proceeds	1,467,794	1,467,794	5,374,289	-	5,374,289	3,906,495
Sale or compensation for loss of fixed asset	-	-	38,286	-	38,286	38,286
<b>Total Other Financing Sources (Uses)</b>	<u>1,467,794</u>	<u>1,467,794</u>	<u>5,412,575</u>	<u>-</u>	<u>5,412,575</u>	<u>3,944,781</u>
<b>NET CHANGE IN FUND BALANCE</b>	(458,272)	(458,272)	3,265,049	-	3,265,049	3,723,321
<b>FUND BALANCE, July 1, 2015</b>	<u>5,458,339</u>	<u>5,458,339</u>	<u>5,369,178</u>	<u>-</u>	<u>5,369,178</u>	<u>(89,161)</u>
<b>FUND BALANCE, June 30, 2016</b>	<u>\$ 5,000,067</u>	<u>\$ 5,000,067</u>	<u>\$ 8,634,227</u>	<u>\$ -</u>	<u>\$ 8,634,227</u>	<u>\$ 3,634,160</u>

(1) Appropriation Level

(2) Includes \$82,885 State Revenue Lunch Program Match

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

**OTHER SUPPLEMENTARY INFORMATION**

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**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**

**BALANCE-BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Local sources				
Property taxes	\$ 30,414,388	\$ 30,414,388	\$ 30,700,922	\$ 286,534
Interest on investments	70,000	70,000	100,364	30,364
Miscellaneous	9,945,231	9,945,231	8,717,282	(1,227,949)
<b>Total Revenues</b>	<u>40,429,619</u>	<u>40,429,619</u>	<u>39,518,568</u>	<u>(911,051)</u>
<b>EXPENDITURES:</b>				
Current				
Support services				
Fiscal services	-	-	1,800	(1,800)
Debt service				
Other	-	-	(27)	27
Principal	27,245,000	27,245,000	27,200,000	45,000
Interest	13,184,619	13,184,619	12,089,500	1,095,119
<b>Total Expenditures</b>	<u>40,429,619</u>	<u>40,429,619</u>	<u>39,291,273</u>	<u>1,138,346</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	-	-	227,295	227,295
<b>FUND BALANCE, July 1, 2015</b>	<u>-</u>	<u>-</u>	<u>1,433,967</u>	<u>1,433,967</u>
<b>FUND BALANCE, June 30, 2016</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,661,262</u>	<u>\$ 1,661,262</u>

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

**CAPITAL PROJECTS FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>GAAP Basis</u>	<u>Variance with Final Budget</u>
			<u>Budget Basis</u>	<u>Adjustments</u>		
<b>REVENUES:</b>						
Local sources						
Interest on investments	\$ 2,000	\$ 2,000	\$ 6,025	\$ -	\$ 6,025	\$ 4,025
<b>Total Revenues</b>	<u>2,000</u>	<u>2,000</u>	<u>6,025</u>	<u>-</u>	<u>6,025</u>	<u>4,025</u>
<b>EXPENDITURES:</b>						
Current						
Support services	-	-	7,715	-	7,715	(7,715)
Facilities acquisition and construction	2,302,000	2,302,000	208,294	-	208,294	2,093,706
Debt service						
Principal	-	-	368,962	-	368,962	(368,962)
Interest	-	-	41,501	-	41,501	(41,501)
Capital outlay	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>2,302,000</u>	<u>2,302,000</u>	<u>626,472</u>	<u>-</u>	<u>626,472</u>	<u>1,675,528</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(2,300,000)	(2,300,000)	(620,447)	-	(620,447)	1,679,553
<b>FUND BALANCE, July 1, 2015</b>	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,865,775</u>	<u>-</u>	<u>2,865,775</u>	<u>65,775</u>
<b>FUND BALANCE, June 30, 2016</b>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 2,245,328</u>	<u>\$ -</u>	<u>\$ 2,245,328</u>	<u>\$ 1,745,328</u>

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**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**SCHEDULE OF REVENUES - ALL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

	Fund 100	Fund 200	Fund 300
<b>REVENUES:</b>			
<b>Revenue from local sources:</b>			
1110 Ad valorem taxes paid by District	\$ 66,232,751	\$ -	\$ 30,687,792
1114 Payments in Lieu of Property Taxes	12,133	-	5,851
1190 Penalties and interest on taxes	15,946	-	7,279
1200 Revenue from local governments - Construction Excise Tax	-	1,176,263	-
1310 Tuition	43,284	-	-
1400 Transportation fees	95,741	-	-
1500 Earning on investments	353,424	-	100,364
1600 Food service	-	1,639,366	-
1700 Extracurricular activities	430,102	4,226,696	-
1910 Rentals	232,342	90,210	-
1920 Contributions & donations	25,150	887,151	-
1940 Services provided to other LEA	-	19,338	-
1960 Recovery of prior year	31,606	4,428	-
1970 Pension bonds	26,652	-	8,717,282
1980 Fees charged to grants	455,753	-	-
1990 Miscellaneous	99,396	41,468	-
1995 Printing Revenue	41,820	-	-
<b>Total Revenue from local sources</b>	<b>68,096,100</b>	<b>8,084,920</b>	<b>39,518,568</b>
<b>Revenue from intermediate sources:</b>			
2101 County school funds	478,998	-	-
2103 ESD	2,915,000	-	-
2200 Restricted revenue	-	1,078,618	-
<b>Total Revenue from Intermediate Sources</b>	<b>3,393,998</b>	<b>1,078,618</b>	<b>-</b>
<b>Revenue from state sources:</b>			
3101 State school fund - general support	107,405,128	-	-
3102 State school fund - school lunch match	-	82,885	-
3103 Common school fund	2,453,497	-	-
3104 State managed county timber	602,458	-	-
3105 State school fund - transportation grant	10,106,400	-	-
3120 Reduced breakfast reimbursement	-	16,412	-
3121 Reduced lunch reimbursement	-	47,966	-
3200 Other Restricted grants-in-aid	-	994,133	-
3222 State school fund transportation equipment	-	1,020,000	-
<b>Total revenue from state sources</b>	<b>120,567,483</b>	<b>2,161,396</b>	<b>-</b>
<b>Revenue from federal sources:</b>			
4100 Unrestricted direct from federal government	-	22,856	-
4500 Restricted revenue from federal government	-	14,534,918	-
4700 Restricted revenue from federal government through intermediate sources	-	688,809	-
4900 Revenue for/on behalf of the District	-	557,122	-
<b>Total revenue from federal sources</b>	<b>-</b>	<b>15,803,705</b>	<b>-</b>
<b>Revenue from other sources:</b>			
5100 Capital Leases	-	5,374,289	-
5200 Transfers	-	-	-
5300 Sale or compensation for loss of fixed assets	14,399	38,286	-
5400 Resources - beginning fund balance	17,604,269	5,369,178	1,433,967
<b>Total revenue from other sources</b>	<b>17,618,668</b>	<b>10,781,753</b>	<b>1,433,967</b>
<b>TOTAL REVENUES</b>	<b>\$ 209,676,249</b>	<b>\$ 37,910,392</b>	<b>\$ 40,952,535</b>

Fund 400	Fund 600	Total
\$ -	\$ -	\$ 96,920,543
		17,984
-	-	23,225
-	-	1,176,263
-	-	43,284
-	-	95,741
6,025	-	459,813
-	-	1,639,366
-	-	4,656,798
-	-	322,552
-	-	912,301
-	-	19,338
-	-	36,034
-	-	8,743,934
-	-	455,753
-	-	140,864
-	-	41,820
<u>6,025</u>	<u>-</u>	<u>115,705,613</u>
-	-	478,998
-	-	2,915,000
-	-	1,078,618
<u>-</u>	<u>-</u>	<u>4,472,616</u>
-	-	107,405,128
-	-	82,885
-	-	2,453,497
-	-	602,458
-	-	10,106,400
-	-	16,412
-	-	47,966
-	-	994,133
-	-	1,020,000
<u>-</u>	<u>-</u>	<u>122,728,879</u>
-	-	22,856
-	-	14,534,918
-	-	688,809
<u>-</u>	<u>-</u>	<u>557,122</u>
<u>-</u>	<u>-</u>	<u>15,803,705</u>
-	-	5,374,289
-	500,000	500,000
-	-	52,685
2,865,775	1,500,000	28,773,189
<u>2,865,775</u>	<u>2,000,000</u>	<u>34,700,163</u>
<u>\$ 2,871,800</u>	<u>\$ 2,000,000</u>	<u>\$ 293,410,976</u>

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

**SCHEDULE OF GENERAL FUND EXPENDITURES**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
<b>EXPENDITURES:</b>			
<b>Instruction:</b>			
1111 Primary programs	\$ 28,386,207	\$ 12,551,587	\$ 1,059,454
1112 Intermediate programs	-	-	-
1113 Elementary extracurricular	114,169	33,345	11,904
1121 Middle school programs	7,234,824	3,355,538	201,607
1122 Middle school extracurricular	63,368	18,843	187
1123 Middle school Saturday school	781	212	-
1131 High school programs	14,600,726	6,412,224	395,793
1132 High school extracurricular	1,453,296	449,433	260,922
1133 High school Saturday school	11,984	7,091	-
1210 Talented and gifted program	327,979	123,239	59,038
1220 Students with disabilities - restricted programs	6,423,329	3,730,310	859,518
1250 Students with disabilities - less restricted programs	7,513,296	4,161,337	576,634
1271 Remediation	-	-	-
1272 Title 1	31	8	62
1280 Alternative education	884,673	385,638	1,628,213
1291 English second language programs	5,216,628	2,719,237	166,168
1292 Teen parent programs	219,344	107,782	5,198
1294 Youth corrections education	126,213	69,319	8,778
1430 Secondary summer school	-	-	44,772
<b>Total instruction</b>	<u>72,576,848</u>	<u>34,125,143</u>	<u>5,278,248</u>
<b>Support services:</b>			
2110 Attendance and social work services	2,561,941	1,317,361	676,035
2120 Guidance Services	3,456,436	1,480,807	149,684
2130 Health Services	672,191	337,447	39,959
2140 Psychological services	410,687	185,551	100,056
2150 Speech pathology services	2,001,269	793,140	11,986
2190 Service direction, student special education	59,062	13,008	176,354
2210 Improvement of Instructional services	349,357	117,817	449,950
2220 Educational media services	733,001	555,222	16,088
2230 Assessment and testing	74,178	20,100	134,794
2240 Instructional staff development	730,860	262,900	339,606
2310 Board of Education services	54,525	14,250	89,755
2320 Executive administration services	237,614	149,337	119,855
2410 Office of the principal services	8,545,145	4,175,958	265,385
2490 Other support services school administration	1,311,465	618,551	175,266
2510 Direction of business support services	502,111	(33,866)	53,588
2520 Fiscal services	476,938	261,296	1,278,347
2540 Operation and maintenance of plant	5,011,514	2,689,328	7,899,633
2550 Student transportation services	7,646,098	4,846,290	206,650
2570 Internal services	220,298	116,305	(318,440)
2630 Information/production services	363,868	154,341	155,666
2640 Staff services	659,766	901,527	142,801
2660 Technology services	1,827,814	835,172	1,203,530
2670 Records management services	-	-	18,521
2690 Other support services	-	1,571	-
2700 Early retirement program	30,000	2,266	-
<b>Total support services</b>	<u>37,936,138</u>	<u>19,815,679</u>	<u>13,385,069</u>
<b>Enterprise and community services</b>			
3300 Other community services	234,934	118,458	193,930
<b>Total enterprise and community services</b>	<u>234,934</u>	<u>118,458</u>	<u>193,930</u>
<b>Capital projects</b>			
4000 Building acquisition, construction & improvements	-	-	19,909
<b>Total capital projects</b>	<u>-</u>	<u>-</u>	<u>19,909</u>
<b>Debt service</b>			
5110 Long-term debt service	-	-	446
5200 Transfers of Funds	-	-	-
<b>Total debt service</b>	<u>-</u>	<u>-</u>	<u>446</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 110,747,920</u>	<u>\$ 54,059,280</u>	<u>\$ 18,877,602</u>

Object 400	Object 500	Object 600	Object 700	Total
\$ 897,820	\$ -	\$ 325	\$ -	\$ 42,895,393
1,296	-	-	-	1,296
55,606	-	-	-	215,024
118,896	-	1,998	-	10,912,863
13,380	-	-	-	95,778
-	-	-	-	993
286,312	25,461	7,430	-	21,727,946
192,141	-	70,986	-	2,426,778
-	-	-	-	19,075
60,851	-	-	-	571,107
308,960	7,100	40,111	-	11,369,328
44,031	-	-	-	12,295,298
51	-	-	-	51
210	-	-	-	311
137,063	-	53,319	-	3,088,906
51,144	-	-	-	8,153,177
517	-	24	-	332,865
11,168	-	-	-	215,478
-	-	-	-	44,772
<u>2,179,446</u>	<u>32,561</u>	<u>174,193</u>	<u>-</u>	<u>114,366,439</u>
44,052	-	629	-	4,600,018
67,862	-	5,997	-	5,160,786
11,236	-	1,116	-	1,061,949
10,792	-	-	-	707,086
4,525	-	-	-	2,810,920
26,408	-	205	-	275,037
46,531	-	-	-	963,655
68,237	-	149	-	1,372,697
86,057	-	-	-	315,129
43,786	400	754	-	1,378,306
10,429	-	23,043	-	192,002
49,529	-	3,077	-	559,412
388,540	-	7,137	-	13,382,165
153,653	-	1,191	-	2,260,126
15,381	-	2,755	-	539,969
16,912	-	131,778	-	2,165,271
1,574,497	801,837	998,225	-	18,975,034
946,030	-	113,988	-	13,759,056
133,365	-	-	-	151,528
22,813	-	264	-	696,952
18,240	-	41,723	-	1,764,057
1,836,137	-	-	-	5,702,653
5,287	-	119	-	23,927
-	-	-	-	1,571
-	-	-	-	32,266
<u>5,580,299</u>	<u>802,237</u>	<u>1,332,150</u>	<u>-</u>	<u>78,851,572</u>
3,189	-	700	-	551,211
3,189	-	700	-	551,211
-	-	-	-	19,909
-	-	-	-	19,909
-	-	828,219	-	828,665
-	-	-	500,000	500,000
-	-	828,219	500,000	1,328,665
<u>\$ 7,762,934</u>	<u>\$ 834,798</u>	<u>\$ 2,335,262</u>	<u>\$ 500,000</u>	<u>\$ 195,117,796</u>

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

**SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES**

**FOR THE YEAR ENDED JUNE 30, 2016**

		<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>
EXPENDITURES:					
<b>Instruction:</b>					
1111	Primary programs	\$ 40,634	\$ 7,356	\$ 129,436	\$ 255,169
1113	Elementary extracurricular	5,624	1,367	-	374,289
1121	Middle school programs	4,463	1,208	970	26,145
1122	Middle school extracurricular	-	-	2,214	226,610
1131	High school programs	29,247	5,072	17,472	506,871
1132	High school extracurricular	1,241	296	9,041	3,570,137
1210	Talented and gifted program	6,356	1,592	-	1,808
1221	Students with disabilities - restrictive programs	1,024,908	448,317	15,708	45,493
1250	Students with disabilities - less restrictive programs	168,640	132,024	2,767	-
1272	Title I	1,563,501	820,940	129,372	130,301
1280	Alternative education	290,834	145,982	101,646	11,483
1291	English second language programs	-	-	-	13,350
1292	Teen parent programs	41,860	25,479	2,872	-
1293	Migrant education	166,087	57,063	53,335	22,061
1295	English language learner	4,805	1,273	14,713	2,315
1300	Adult/continuing education programs	-	-	650	-
1400	Summer school programs	180,361	41,487	8,999	29,217
	<b>Total instruction</b>	<u>3,528,561</u>	<u>1,689,456</u>	<u>489,195</u>	<u>5,215,249</u>
<b>Support services:</b>					
2110	Attendance and social work services	325,034	111,305	31,014	1,738
2120	Guidance services	2,260	740	543	996
2130	Health services	1,580	207	1,071	449
2140	Psychological services	125,268	46,537	-	-
2150	Speech pathology and audiology services	16,677	5,555	38	-
2160	Student treatment center	207,864	98,024	-	-
2190	Service direction, student special education	390,222	166,594	507	-
2210	Improvement of instruction services	95,475	44,030	1,904	3,818
2230	Assessment and testing	-	-	8,047	-
2240	Instructional staff development	913,332	279,034	453,911	56,519
2300	Support services general administration	-	-	-	1,232
2410	Office of the principal services	18,625	4,389	3,540	79,009
2490	Other support services school administration	66,328	20,773	22	596
2520	Fiscal services	-	-	29,067	-
2540	Operation and maintenance of plant	-	-	1,156,693	-
2550	Student transportation services	-	-	65,213	-
2610	Direction of central support services	425,755	159,397	492	5,118
2620	Planning, research and development services	9,784	1,528	102	-
2660	Technology services	44,602	18,655	64,010	1,338
	<b>Total support services</b>	<u>2,642,806</u>	<u>956,768</u>	<u>1,816,174</u>	<u>150,813</u>
<b>Enterprise and community services:</b>					
3100	Food services	2,356,408	1,324,932	193,967	4,181,424
3300	Community services	115,451	42,612	101,235	46,028
	<b>Total enterprise and community services</b>	<u>2,471,859</u>	<u>1,367,544</u>	<u>295,202</u>	<u>4,227,452</u>
<b>Debt service</b>					
5110	Long-term debt service	-	-	-	-
	<b>Total debt service</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>		<u><u>\$ 8,643,226</u></u>	<u><u>\$ 4,013,768</u></u>	<u><u>\$ 2,600,571</u></u>	<u><u>\$ 9,593,514</u></u>

500	600	Total
\$ -	\$ 2,870	\$ 435,465
-	-	381,280
-	-	32,786
-	-	228,824
64,385	24,126	647,173
-	2,964	3,583,679
-	-	9,756
-	28,852	1,563,278
-	-	303,431
-	165,798	2,809,912
-	15,191	565,136
-	-	13,350
-	-	70,211
-	21,978	320,524
-	-	23,106
-	-	650
-	10,115	270,179
64,385	271,894	11,258,740
-	-	469,091
-	-	4,539
-	-	3,307
-	-	171,805
-	-	22,270
-	-	305,888
-	129,755	687,078
-	1,894	147,121
-	-	8,047
-	37,528	1,740,324
-	-	1,232
-	1,675	107,238
-	-	87,719
-	-	29,067
871,675	3,447	2,031,815
1,967,423	589,164	2,621,800
-	-	590,762
-	-	11,414
-	-	128,605
2,839,098	763,463	9,169,122
-	49,901	8,106,632
-	10,675	316,001
-	60,576	8,422,633
-	425,670	425,670
-	425,670	425,670
\$ 2,903,483	\$ 1,521,603	\$ 29,276,165

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**SCHEDULE OF DEBT SERVICE FUND EXPENDITURES**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>	<u>Object 400</u>	<u>Object 500</u>	<u>Object 600</u>	<u>TOTAL</u>
<b>EXPENDITURES:</b>							
<b>Support Services</b>							
2520    Fiscal service	\$ -	\$ -	\$ 1,800	\$ -	\$ -	\$ -	\$ 1,800
<b>Debt Services</b>							
5100    Debt service	-	-	(27)	-	-	39,289,500	39,289,473
<b>TOTAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,289,500</u>	<u>\$ 39,291,273</u>

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

**SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES**

**FOR THE YEAR ENDED JUNE 30, 2016**

		<u>Object</u>	<u>Object</u>	<u>Object</u>	<u>Object</u>
		100	200	300	400
<b>EXPENDITURES:</b>					
<b>Support services</b>					
2520	Fiscal Services	\$ -	\$ -	\$ 7,000	\$ -
2660	Technology	-	-	-	715
	<b>Total support services</b>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>715</u>
<b>Facilities acquisition &amp; construction</b>					
4110	Service area direction	<u>104,502</u>	<u>44,727</u>	<u>59,065</u>	<u>-</u>
	<b>Total facilities acquisition &amp; construction</b>	<u>104,502</u>	<u>44,727</u>	<u>59,065</u>	<u>-</u>
<b>Debt Services</b>					
5100	Long-term debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total debt services</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>		<u><u>\$ 104,502</u></u>	<u><u>\$ 44,727</u></u>	<u><u>\$ 66,065</u></u>	<u><u>\$ 715</u></u>

Object 500	Object 600	Total
\$ -	\$ -	\$ 7,000
-	-	715
-	-	7,715
-	-	208,294
-	-	208,294
-	410,463	410,463
-	410,463	410,463
<b>\$ -</b>	<b>\$ 410,463</b>	<b>\$ 626,472</b>

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

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

**Office of Finance and Administration**  
**Budget and Analysis**

**SUPPLEMENTAL INFORMATION, 2015-16**

School District Business Managers and Auditors:

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

Part A is needed for computing Oregon's full allocation for ESEA, Title I & other Federal Funds for Education

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

	Objects 325 & 326	
Function 2540	\$	3,523,420
Function 2550	\$	19,286

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

1113, 1122, & 1132    Co-curricular Activities  
 1140                    Pre-Kindergarten  
 1300                    Continuing Education  
 1400                    Summer School

Exclude these functions:

4150    Construction  
 2550    Pupil Transportation  
 3100    Food Service  
 3300    Community Services

\$	-
----	---



**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**STATISTICAL SECTION TABLE OF CONTENTS**

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>94</b>
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>102</b>
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	<b>110</b>
<b>Demographic and Economic Information</b>	<b>116</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
<b>Operating Information</b>	<b>118</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources:

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

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

**NET POSITION BY CATEGORY**  
**Last Ten Fiscal Years**  
**2007 Through 2016**  
**(accrual basis of accounting)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental activities:				
Net Investment in capital assets	\$ 93,370,283	\$ 78,831,288	\$ 64,738,162	\$ 52,287,910
Restricted for:				
Special programs	8,634,227	5,369,178	5,088,140	5,507,603
Debt service	6,070,721	7,410,609	4,854,595	3,581,143
Capital projects	-	-	-	8,413,441
Unrestricted	<u>(148,835,008)</u>	<u>(94,426,208)</u>	<u>(12,088,874)</u>	<u>(22,377,708)</u>
Total primary government net position	<u>\$ (40,759,777)</u>	<u>\$ (2,815,133)</u>	<u>\$ 62,592,023</u>	<u>\$ 47,412,389</u>

2012	2011	2010	2009	2008	2007
\$ 31,538,602	\$ 43,279,660	\$ 44,713,254	\$ 36,339,608	\$ 48,427,208	\$ (97,336,636)
6,837,003	2,285,638	-	-	-	-
3,358,031	3,306,895	3,654,721	5,880,421	10,827,545	6,573,042
13,463,581	20,296,746	23,710,495	39,421,641	101,584,454	177,928,489
(7,822,244)	(19,579,279)	(19,016,357)	(31,880,776)	(103,343,000)	24,783,019
<u>\$ 47,374,973</u>	<u>\$ 47,304,022</u>	<u>\$ 53,062,112</u>	<u>\$ 49,760,894</u>	<u>\$ 57,496,207</u>	<u>\$ 111,947,914</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**CHANGES IN NET POSITION****Last Ten Fiscal Years****2007 Through 2016****(accrual basis of accounting)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Governmental Activities:</b>				
<b>Expenses</b>				
Instruction	\$ 161,454,482	\$ 90,177,101	\$ 113,612,720	\$ 112,947,889
Support services	103,928,959	71,099,128	79,207,615	74,174,524
Enterprise & community services	10,354,697	8,308,170	8,129,203	8,540,335
Facilities acquisition & construction	-	-	-	-
Interest on long-term debt	12,218,456	13,029,323	13,034,172	14,610,731
<b>Total expenses</b>	<u>287,956,594</u>	<u>182,613,722</u>	<u>213,983,710</u>	<u>210,273,479</u>
<b>Program Revenues:</b>				
Charges for services:				
Instruction	4,837,643	4,531,645	4,842,097	5,119,993
Support services	346,318	159,545	609,956	750,681
Enterprise & community services	1,639,366	1,512,339	1,719,122	1,672,468
Operating grants & contributions:				
Instruction	10,413,580	10,258,791	5,981,567	8,761,256
Support services	3,990,770	4,144,617	6,392,540	8,174,761
Enterprise & community services	6,727,933	6,522,598	5,522,009	5,795,967
Facilities	-	-	637,036	410,963
Capital grants & contributions:				
Support services	-	-	-	-
Enterprise & community services	-	-	384,047	450,972
<b>Total program revenues</b>	<u>27,955,610</u>	<u>27,129,535</u>	<u>26,088,374</u>	<u>31,137,061</u>
<b>Net (Expenses)</b>	(260,000,984)	(155,484,187)	(187,895,336)	(179,136,418)
<b>General Revenues</b>				
Taxes:				
Property taxes, levied for general purposes	66,578,201	59,703,224	56,664,969	53,423,125
Property taxes, levied for debt service	30,857,723	29,812,298	28,493,052	27,812,402
State School Fund - General Support	120,567,483	121,330,286	113,662,969	96,246,256
Unrestricted intermediate sources	3,393,998	5,137,388	2,546,625	871,920
Earnings on investments	459,813	337,386	276,870	283,150
Gain on sale of capital assets	-	-	-	904
Miscellaneous	199,122	433,204	1,430,485	536,077
<b>Total general revenues</b>	<u>222,056,340</u>	<u>216,753,786</u>	<u>203,074,970</u>	<u>179,173,834</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (37,944,644)</u>	<u>\$ 61,269,599</u>	<u>\$ 15,179,634</u>	<u>\$ 37,416</u>

	2012	2011	2010	2009	2008	2007
\$	111,973,461	\$ 115,345,118	\$ 113,083,611	\$ 122,478,716	\$ 110,225,767	\$ 93,429,518
	70,449,859	75,113,377	72,721,956	86,269,378	77,354,276	63,574,639
	8,277,973	8,109,778	8,779,813	9,457,828	9,169,942	7,378,732
	-	-	-	-	65,870,014	832,064
	15,656,739	16,560,348	17,242,277	17,905,207	22,257,859	11,593,839
	<u>206,358,032</u>	<u>215,128,621</u>	<u>211,827,657</u>	<u>236,111,129</u>	<u>284,877,858</u>	<u>176,808,792</u>
	5,330,102	4,409,514	4,256,047	4,021,721	6,390,034	1,070,606
	210,960	227,538	273,337	168,919	178,773	232,335
	1,720,616	1,739,507	1,959,373	2,041,711	2,338,045	2,355,750
	6,435,939	17,996,564	12,519,540	12,342,037	8,577,163	8,795,634
	8,666,716	6,136,063	1,131,494	2,379,115	3,516,952	3,036,287
	5,788,841	6,490,380	6,469,855	5,267,264	5,549,384	4,334,791
	-	-	-	-	-	-
	-	-	-	-	109,820	527,800
	563,818	96,590	80,702	71,062	95,570	-
	<u>28,716,992</u>	<u>37,096,156</u>	<u>26,690,348</u>	<u>26,291,829</u>	<u>26,755,741</u>	<u>20,353,203</u>
	(177,641,040)	(178,032,465)	(185,137,309)	(209,819,300)	(258,122,117)	(156,455,589)
	54,224,135	51,832,676	50,085,826	48,193,154	46,040,548	43,741,370
	27,696,616	27,630,949	26,101,682	21,845,630	29,560,363	14,668,594
	100,256,023	91,150,843	101,051,718	101,756,724	104,687,241	86,828,447
	1,000,000	-	-	-	-	-
	261,912	387,598	-	-	-	-
	-	950,007	785,940	3,312,204	9,340,104	8,194,851
	794,235	2,086,912	11,437,792	12,067,166	7,597,249	24,676,621
	<u>184,232,921</u>	<u>174,038,985</u>	<u>189,462,958</u>	<u>187,174,878</u>	<u>197,225,505</u>	<u>178,109,883</u>
\$	<u>6,591,881</u>	<u>\$ (3,993,480)</u>	<u>\$ 4,325,649</u>	<u>\$ (22,644,422)</u>	<u>\$ (60,896,612)</u>	<u>\$ 21,654,294</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**FUND BALANCES OF GOVERNMENTAL FUNDS**

**Last Ten Fiscal Years**

**2007 Through 2016**

(modified accrual basis of accounting)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>FUND BALANCES:</b>				
<b>Nonspendable, reported in:</b>				
General Fund	\$ 280,224	\$ 341,786	\$ 344,243	\$ 312,262
Special Revenue Funds	218,283	227,945	534,526	189,829
Capital Projects Fund	-	-	34,205	-
<b>Restricted, reported in:</b>				
General fund	-	-	-	-
Special revenue funds	8,415,944	5,141,233	4,553,614	5,507,603
Debt service fund	1,661,262	1,433,967	3,984,610	3,581,143
Capital projects funds	2,245,328	2,865,775	5,995,241	8,413,441
<b>Assigned, reported in:</b>				
Special revenue funds	-	-	-	-
Supplies and text book carryover	1,175,000	-	-	-
PERS reserve	2,000,000	1,500,000	1,500,000	1,500,000
<b>Unassigned, reported in:</b>				
General fund	13,103,229	17,262,483	14,112,648	8,788,286
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>\$ 29,099,270</u>	<u>\$ 28,773,189</u>	<u>\$ 31,059,088</u>	<u>\$ 28,292,564</u>

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

2012	2011	2010	2009	2008	2007
\$ 688,343	\$ 300,725	\$ -	\$ -	\$ -	\$ -
227,922	572,074	-	-	-	-
-	-	-	-	-	-
-	-	364,700	383,482	666,715	219,748
6,837,003	2,285,638	499,389	235,323	218,447	170,099
3,358,031	3,306,895	3,654,721	5,880,421	10,827,545	6,573,042
13,463,581	20,296,746	23,710,495	39,421,641	101,584,454	177,928,489
-	2,582,631	-	-	-	-
-	-	-	-	-	-
3,000,000	4,500,000	-	-	-	-
8,948,777	10,654,867	17,551,703	19,658,096	22,973,345	19,668,582
-	(358,476)	2,519,865	3,597,953	3,435,749	3,672,104
-	(368,925)	-	-	-	-
<u>\$ 36,523,657</u>	<u>\$ 43,772,175</u>	<u>\$ 48,300,872</u>	<u>\$ 69,176,916</u>	<u>\$ 139,706,255</u>	<u>\$ 208,232,064</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS****Last Ten Fiscal Years****2007 Through 2016**

(modified accrual basis of accounting)

	2016	2015	2014	2013
<b>Revenues</b>				
Property taxes	\$ 96,961,752	\$ 89,919,268	\$ 84,573,962	\$ 81,824,121
Charges for services	6,435,189	6,271,278	6,710,072	8,926,225
Earnings on investments	459,813	337,386	276,870	283,150
Other	11,848,859	10,224,931	10,502,639	7,461,433
Intermediate sources	4,472,616	6,074,738	2,975,038	1,334,511
State School support	122,728,879	123,226,336	116,117,246	98,162,287
Federal	15,803,705	16,174,120	14,307,594	19,461,252
Other sources	-	-	-	-
<b>Total revenues</b>	<b>258,710,813</b>	<b>252,228,057</b>	<b>235,463,421</b>	<b>217,452,979</b>
<b>EXPENDITURES:</b>				
<b>Current operating</b>				
Instruction	125,511,177	116,762,389	110,905,035	107,502,434
Support services	84,067,564	86,021,094	77,319,892	70,598,413
Enterprise & community services	8,963,982	9,352,157	7,935,463	8,128,587
Facilities acquisition & construction	228,203	-	2,639,938	495,737
Capital outlay	4,086,509	3,065,081	1,511,342	4,020,609
<b>Debt service</b>				
Principal	28,702,136	28,212,756	22,300,000	20,225,000
Other	419	-	68,411	85,220
Interest	12,251,716	12,571,394	13,088,605	14,725,769
<b>Total expenditures</b>	<b>263,811,706</b>	<b>255,984,871</b>	<b>235,768,686</b>	<b>225,781,769</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(5,100,893)</b>	<b>(3,756,814)</b>	<b>(305,265)</b>	<b>(8,328,790)</b>
<b>Other financing sources (uses)</b>				
Bond proceeds	-	-	-	96,794
Issuance of debt	3,406,866	58,496,864	1,500,000	-
Bond payments	-	(58,461,404)	-	-
Sale or compensation for loss of fixed asset	52,685	5,405	17,730	904
Capital leases	1,967,423	1,430,050	1,554,058	-
Operating transfers in	500,000	-	1,200,000	3,597,417
Operating transfers out	(500,000)	-	(1,200,000)	(3,597,417)
<b>Total other financing sources (uses)</b>	<b>5,426,974</b>	<b>1,470,915</b>	<b>3,071,788</b>	<b>97,698</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 326,081</b>	<b>\$ (2,285,899)</b>	<b>\$ 2,766,523</b>	<b>\$ (8,231,092)</b>
Expenditures for capital assets	\$ 4,086,508	\$ 6,606,532	\$ 5,833,691	\$ 4,084,550
Debt service as a percentage of noncapital expenditures	15.8%	16.4%	15.4%	15.8%

	2012	2011	2010	2009	2008	2007
\$	80,948,030	\$ 79,663,898	\$ 75,902,580	\$ 69,425,118	\$ 74,970,634	\$ 58,274,830
	9,257,214	8,161,987	8,197,218	8,265,066	7,009,678	3,765,885
	261,912	387,598	785,940	3,229,021	9,340,104	8,194,851
	6,524,021	7,495,766	6,977,351	6,944,129	6,726,267	1,375,754
	888,300	1,378,287	2,821,079	1,742,355	3,286,708	3,812,017
	101,918,660	92,378,467	101,051,718	103,156,724	104,687,241	86,835,628
	18,400,804	27,566,990	20,120,889	20,087,018	17,327,027	15,821,511
	-	-	-	-	-	186,703,215
	<u>218,198,941</u>	<u>217,032,993</u>	<u>215,856,775</u>	<u>212,849,431</u>	<u>223,347,659</u>	<u>364,783,691</u>
	107,619,019	106,975,447	106,348,362	103,425,714	99,258,155	90,028,311
	67,710,192	69,662,999	68,171,937	72,746,276	69,657,422	61,260,272
	7,956,058	7,521,316	8,256,888	8,046,600	8,257,520	7,110,119
	1,860,015	2,378,353	-	-	-	-
	6,206,632	6,905,741	19,620,414	66,650,915	83,737,559	15,556,452
	18,365,000	17,940,000	15,985,000	14,530,000	9,370,000	10,020,821
	1,050	400	30,931	30,931	30,931	38,196
	15,731,211	16,554,371	17,306,459	17,951,944	22,040,454	11,483,228
	<u>225,449,177</u>	<u>227,938,627</u>	<u>235,719,991</u>	<u>283,382,380</u>	<u>292,352,041</u>	<u>195,497,399</u>
	(7,250,236)	(10,905,634)	(19,863,216)	(70,532,949)	(69,004,382)	169,286,292
	-	-	-	-	39,068	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,718	1,804,620	11,602	3,610	94,242	-
	-	2,372,318	-	-	-	-
	-	700,000	-	-	-	-
	-	-	-	-	-	-
	<u>1,718</u>	<u>4,876,938</u>	<u>11,602</u>	<u>3,610</u>	<u>133,310</u>	<u>-</u>
\$	<u>(7,248,518)</u>	<u>(6,028,696)</u>	<u>(19,851,614)</u>	<u>(70,529,339)</u>	<u>(68,871,072)</u>	<u>\$ 169,286,292</u>
\$	8,043,533	\$ 3,132,769	\$ 23,510,115	\$ 46,754,281	\$ 17,898,476	\$ 14,724,388

15.7%

15.3%

15.7%

13.7%

11.5%

11.9%

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**ASSESSED VALUE OF TAXABLE PROPERTY WITHIN SCHOOL DISTRICT BOUNDARIES**

**Last Ten Fiscal Years**

**2007 Through 2016**

Market Value				
Fiscal Year Ending June 30	Real Property	Manufactured Property	Personal Property	Public Utility
2016	\$ 28,875,273,570	\$ 35,456,530	\$ 955,604,239	\$ 595,556,859
2015	26,744,620,035	29,908,270	879,165,146	547,626,777
2014	23,214,847,060	26,670,080	785,988,627	515,570,803
2013	17,798,748,230	27,705,330	681,541,930	474,366,901
2012	18,092,087,230	29,539,350	644,541,082	468,076,587
2011	18,830,265,680	31,525,110	631,207,499	446,710,065
2010	19,055,259,480	31,497,060	651,404,471	416,135,377
2009	19,574,092,456	32,349,370	662,182,294	339,169,003
2008	18,875,429,572	35,325,440	597,352,127	344,285,720
2007	17,598,385,145	42,234,530	569,322,711	336,270,664

Note: Represents Washington County only

Source: Washington County Department of Assessment and Taxation and Hillsboro Building Department

Total Market Value	Assessed Value (not including exempt property)					Total Taxes Imposed (Not Levy)
	Total Taxable Assessed Value	Total Direct Tax Rate	Amount Tax Rate Will Raise	Less: Reduction and Adjustments	Total Taxes Imposed (Not Levy)	
\$ 30,461,891,198	\$ 14,104,447,560	\$ 5.87	\$ 82,318,095	\$ (1,557,153)	\$ 80,760,942	
28,201,320,228	12,594,359,207	5.94	74,376,721	(1,254,961)	73,121,760	
24,543,076,570	11,981,668,967	6.28	74,985,230	(1,487,002)	73,498,228	
18,982,362,391	11,456,148,320	6.30	72,086,863	(1,614,038)	70,472,825	
19,234,244,249	11,371,005,915	6.29	71,457,529	(1,341,667)	70,115,862	
19,939,708,354	10,912,092,039	6.40	69,803,033	(1,103,124)	68,699,909	
20,154,296,388	10,465,349,538	6.33	66,239,809	(930,213)	65,309,596	
20,607,793,123	10,098,797,357	6.29	63,521,435	(872,020)	62,649,415	
19,852,392,859	9,589,976,937	6.20	59,457,857	(849,826)	58,608,031	
18,546,213,050	9,156,346,239	6.52	59,699,377	58,996	59,758,373	

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**DIRECT AND OVERLAPPING PROPERTY TAX RATES****Last Ten Fiscal Years****2007 Through 2016**

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

<b>DIRECT:</b>	2016	2015	2014	2013	2012
Hillsboro School District	\$ 5.8738	\$ 5.9389	\$ 6.2778	\$ 6.3034	\$ 6.2933
Hillsboro School District - after 10/6/01	1.3509	1.4811	1.1228	1.1943	1.1730
Prior School District Bonds:					
Hillsboro Elementary	-	-	-	-	-
Reedville	-	-	-	-	-
Farmington View	-	-	-	-	-
North Plains	-	-	-	-	-
<b>OVERLAPPING GOVERNMENTS:</b>					
Washington County	2.2484	2.2484	2.3775	2.3801	2.3844
Washington County - after 10/6/01	0.5900	0.5900	0.5900	0.5900	0.5900
Enhanced Sheriff Patrol	1.3165	1.3165	1.3165	1.2285	1.2477
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	4.3279	-	-	-	-
City of Hillsboro	5.8664	8.0663	7.3330	5.1331	5.3865
City of Hillsboro - after 10/6/01	2.7520	3.7840	3.4400	2.4080	-
City of North Plains	2.1712	2.1712	2.1712	2.1712	2.1712
City of Cornelius	4.4706	3.9836	3.9836	3.9836	3.9836
Cornelius RFPD	1.2237	1.2558	1.2780	1.2971	1.3097
Washington County RFFD #2	1.1219	1.1219	1.1219	1.1219	1.1219
Washington County RFFD #2 - after 10/6/01	0.5700	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	0.5826	0.3659	0.3809	0.3893	0.4050
Gaston RFPD	1.7621	1.7621	1.7621	1.7621	1.7621
Banks RFPD	2.0854	2.1499	2.0051	2.0332	2.0505
Forest Grove RFPD	1.2766	1.2766	1.3744	1.4012	1.2766
Metro Service District	0.1117	0.1852	0.1900	0.2621	0.2277
Metro Service District - after 10/6/01	0.2766	0.2733	0.2771	0.1422	0.0877
Tri-Met	-	-	-	-	0.0583
Tualatin Hills Park & Recreation	1.3973	1.4146	1.4216	1.4224	1.7388
Tualatin Hills Park & Recreation - after 10/6/01	0.3173	0.3021	0.3066	0.3074	-
Metro Zoo	-	-	-	-	-
Northwest Regional ESD	0.1538	0.1538	0.1538	0.1538	0.1538
Portland Community College	0.2828	0.4185	0.4582	0.4853	0.4460
Portland Community College - after 10/6/01	0.3027	0.3037	0.2760	0.1798	0.1521
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.

	2011	2010	2009	2008	2007
\$	6.4001	\$ 6.3322	\$ 6.2936	\$ 6.1994	\$ 6.5240
	1.1845	1.1278	0.8080	1.8587	-
	-	-	0.0802	0.0829	0.0793
	-	0.4102	0.2617	0.2493	0.2268
	-	-	-	-	-
	-	-	-	-	0.2706
	2.3898	2.3940	2.3940	2.4431	2.4494
	0.5900	0.5900	0.5900	0.5900	-
	1.2660	1.2823	1.3099	1.0920	1.1120
	0.2456	0.2456	0.2456	0.2456	0.2456
	0.0701	0.0701	0.0701	0.0701	0.0701
	-	-	-	-	-
	5.3865	5.3865	5.3865	4.7665	4.7665
	-	-	-	-	-
	2.1712	2.1712	2.1712	2.1712	2.1712
	3.9836	3.9836	4.0050	4.0723	4.1698
	1.3354	1.3300	1.4388	1.4702	1.4820
	1.1219	1.1219	1.1219	1.1219	1.1219
	0.5700	0.5700	0.5700	0.5700	-
	1.5252	1.5252	1.5446	1.5560	1.8194
	0.3576	0.3695	0.2988	0.3132	-
	1.7621	1.5121	1.5121	1.5121	1.5121
	2.1007	2.1324	2.1671	2.0321	2.0220
	1.4262	1.4339	1.4375	1.4409	1.4390
	0.2499	0.2504	0.3018	0.2683	0.2782
	0.1589	0.1864	0.0966	0.1609	-
	0.0878	0.0863	0.0803	0.0856	0.0973
	1.7428	1.7343	1.4291	1.4341	1.4425
	-	-	-	-	-
	-	-	-	-	0.0966
	0.1538	0.1538	0.1538	0.1538	0.1538
	0.4628	0.4579	0.5031	0.5051	0.4889
	0.1731	0.1746	-	-	-
	0.4888	0.4888	0.4888	0.4888	0.4888
	-	-	-	-	-
	-	-	-	-	-

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**PRINCIPAL PROPERTY TAXPAYERS FOR WASHINGTON COUNTY**

**Current Year (2016) and Nine Years Prior (2007)**

		2016					
Taxpayer	Name	Measure 50		Percentage of HSD AV	Percentage of Washington County AV		Rank
		Assessed Value (AV)	Taxes Levied				
1	Intel	\$ 2,218,043,675	\$ 35,768,811	15.73%	3.90%	1	
2	Nike, Inc.	661,926,149	11,037,227	4.69%	1.16%	3	
3	Portland General Electric	478,753,431	7,466,816	3.39%	0.84%	4	
4	Pacific Realty Associates	339,535,573	5,512,550	2.41%	0.60%	5	
5	Comcast Corporation	314,888,200	5,503,068	2.23%	0.55%		
6	Northwest Natural Gas Co.	319,249,270	4,867,602	2.26%	0.56%	6	
7	Frontier Communications	190,166,000	3,028,795	1.35%	0.33%		
8	Verizon Communications	177,142,000	2,865,581	1.26%	0.31%	2	
9	Genentech, Inc.	165,225,810	2,689,446	1.17%	0.29%		
10	PPR Washington Square LLC	142,625,935	2,431,576	1.01%	0.25%		
	Maxim Integrated Products					7	
	Sprint Nextel Corp					8	
	Tektronix Inc					9	
	ERP Operating LP					10	
	All other Washington County	<u>51,903,336,197</u>	<u>881,678,904</u>				
Total Washington County		<u>\$ 56,910,892,240</u>	<u>\$ 962,850,376</u>				
Hillsboro School District		<u>\$ 14,104,447,560</u>					

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

2007

	<u>Taxable Assessed Value</u>	<u>Percentage of HSD AV</u>	<u>Percentage of Washington County AV</u>
\$	1,073,118,274	11.19%	2.58%
	348,297,116	3.63%	0.84%
	330,799,810	3.45%	0.80%
	261,692,224	2.73%	0.63%
	275,283,690	2.87%	0.66%
	345,285,461	3.60%	0.83%
	169,355,293	1.77%	0.41%
	133,617,362	1.39%	0.32%
	137,506,673	1.43%	0.33%
	112,051,390	1.17%	0.27%
	<u>38,374,745,229</u>		
\$	<u>41,561,752,522</u>		
\$	<u>9,589,976,937</u>		

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**PROPERTY TAX LEVIES AND COLLECTIONS**

**Last Ten Fiscal Years**

**2007 Through 2016**

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
2016	\$ 100,046,726	\$ 95,613,087	95.57%	\$ -	\$ 95,613,087	95.57%
2015	92,272,618	88,208,658	95.60%	744,876	88,953,534	96.40%
2014	87,085,501	82,849,198	95.14%	1,398,980	84,248,178	96.74%
2013	84,325,790	80,516,253	95.48%	1,701,604	82,217,857	97.50%
2012	83,738,165	79,664,870	95.14%	3,221,206	82,886,076	98.98%
2011	81,827,938	77,466,427	94.67%	2,925,265	80,391,692	98.24%
2010	78,263,542	73,894,785	94.42%	2,883,835	76,778,620	98.10%
2009	71,924,928	67,817,843	94.29%	2,403,113	70,220,956	97.63%
2008	77,461,189	73,547,415	94.95%	1,920,176	75,467,591	97.43%
2007	59,923,244	57,060,099	95.22%	1,278,177	58,338,276	97.36%

Taxes extended, less discounts allowed

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**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**OUTSTANDING DEBT BY TYPE**

**Last Ten Fiscal Years**

(dollars in thousands, except per capita)

Fiscal Year	General Obligation Bonds	Less Amount Available for Repayment	Net General Bonded Debt			Pension Obligation Bonds	Certificates of Participation
			General Bonded Debt	Per ADMw	Per Capita		
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
2008	278,762,595	(10,827,545)	267,935,050	14,012	2,022	102,740,000	4,827,537
2007	287,242,352	(6,573,042)	280,669,310	14,774	2,181	102,850,000	5,034,545

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

		<u>Total Debt</u>			Total Net	Average
Capital	Notes	Total	Per	Per	Assessed	Daily
<u>Leases</u>	<u>Payable</u>	<u>District</u>	<u>ADMw</u>	<u>Capita</u>	<u>Valuation</u>	<u>Membership</u>
\$ 3,026,567	\$ 721,014	\$ 273,713,566	\$ 13,309	\$ 1,936	\$ 14,104,447,560	20,566
2,039,383	1,089,976	298,845,529	15,005	1,481	12,594,359,207	19,917
-	-	194,057,366	9,746	1,764	11,981,668,967	19,911
-	-	207,149,842	10,457	1,652	11,456,148,320	19,809
-	-	222,681,772	11,218	1,860	11,371,005,915	19,850
-	-	240,649,896	12,176	1,958	10,912,092,039	19,765
-	-	255,415,978	12,921	2,112	10,465,349,538	19,767
-	-	269,985,221	13,824	2,140	10,098,797,357	19,530
-	-	283,590,132	14,831	2,271	9,589,976,937	19,122
-	-	292,276,897	15,385	1,004	9,156,346,239	18,997

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Overlapping Issuer</u>	<u>Net Property Tax Backed Debt</u>	<u>Percent Overlapping</u>	<u>Net Overlapping Debt</u>
Chemeketa Community College	\$ 86,615,000	0.0038%	\$ 3,291
Multnomah County	160,509,766	0.0007%	1,124
Metro	199,855,000	6.5357%	13,061,923
Portland Community College	335,095,000	9.5384%	31,962,701
Washington County SD 13 (Banks)	14,975,457	0.0483%	7,233
Washington County	53,679,570	23.2038%	12,455,700
Washington County Enhanced Patrol District	90,020	9.9100%	8,921
Tualatin Hills Park & Recreation District	86,871,694	1.7752%	1,542,146
Banks Fire District 13	330,000	2.6291%	8,676
Tualatin Valley Fire & Rescue District	52,000,000	3.4902%	1,814,904
City of Hillsboro	34,975,000	88.3694%	30,907,198
City of North Plains	1,345,802	100.0000%	1,345,802
Chehalam Park & Recreation District	21,815,000	0.0186%	4,058
City of Cornelius	2,033,640	32.1383%	653,577
City of Beaverton	722,076	0.0571%	412
Washington County SD 48J (Beaverton)	808,153,784	0.0080%	64,652
Yamhill County	2,501,176	0.0225%	563
Subtotal, overlapping debt			93,842,881
Direct District net property tax backed debt			284,324,760
Total direct and overlapping debt			\$ 378,167,641

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

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**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**LEGAL DEBT MARGIN INFORMATION**

**Last Ten Fiscal Years**

**2007 Through 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt Limit	\$ 2,421,720,350	\$ 2,242,004,958	\$ 1,951,376,163	\$ 1,415,000,484
Total net debt applicable to the limit	<u>139,830,000</u>	<u>163,325,000</u>	<u>276,826,712</u>	<u>298,721,712</u>
Legal debt margin	<u>\$ 2,281,890,350</u>	<u>\$ 2,078,679,958</u>	<u>\$ 1,674,549,451</u>	<u>\$ 1,116,278,772</u>
Total net debt applicable to the limit as a percentage of debt limit	5.77%	7.28%	14.19%	21.11%

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

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

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

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,497,006,122	\$ 1,497,006,112	\$ 1,514,893,129	\$ 1,556,140,350	\$ 1,578,265,232	\$ 1,399,071,619
<u>316,641,712</u>	<u>334,631,712</u>	<u>352,216,712</u>	<u>367,827,826</u>	<u>380,501,712</u>	<u>391,061,712</u>
<u>\$1,180,364,410</u>	<u>\$ 1,162,374,400</u>	<u>\$ 1,162,676,417</u>	<u>\$ 1,188,312,524</u>	<u>\$ 1,197,763,520</u>	<u>\$ 1,008,009,907</u>
21.15%	22.35%	23.25%	23.64%	24.11%	27.95%

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**Last Ten Fiscal Years**

**2007 Through 2016**

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars) (estimated)</u>	<u>Personal Income</u>	<u>Unemployment Rate</u>
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%
2008	117,402	2,889,028	24,608	5.60%
2007	131,018	3,099,362	23,656	4.90%

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**PRINCIPAL EMPLOYERS FOR THE PORTLAND, OREGON, METROPOLITAN AREA**

**Current Year (2016) and Nine Years Ago (2007)**

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Ten Largest Employers:						
Intel Corp.	18,600	1	1.47%	16,740	1	1.62%
Providence Health System	16,139	2	1.28%	14,639	3	1.42%
Oregon Health & Science University	14,963	3	1.19%	11,500	4	1.11%
Kaiser Foundation Health Plan	11,898	4	0.94%	8,221	6	0.80%
Fred Meyer Stores	10,813	5	0.86%	8,500	5	0.82%
Legacy Health System	8,700	6	0.69%	8,196	7	0.79%
Nike, Inc.	8,500	7	0.67%	7,648	8	0.74%
Portland Public School	6,135	8	0.49%			
Multnomah County	5,995	9	0.47%			
City of Portland	5,481	10	0.43%			
Precision Cast Parts				15,384	2	1.49%
Wells Fargo				4,873	9	0.47%
Greenbriar Cos. Inc.				3,972	10	0.38%
Subtotal of ten largest employers	<u>107,224</u>		<u>8.49%</u>	<u>99,673</u>		<u>9.65%</u>
All Other Employers	1,155,176		91.51%	932,927		90.35%
Total Portland-Vancouver-Hillsboro MSA Employment	<u><u>1,262,400</u></u>		<u><u>100.00%</u></u>	<u><u>1,032,600</u></u>		<u><u>100.00%</u></u>

Source:

Oregon Employment Department: <https://www.qualityinfo.org/multnomah-and-washington>  
 June 2014 Portland-Vancouver-Hillsboro MSA - Current Non-Farm Employment 1,068,400

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

**CERTIFIED, CLASSIFIED, AND ADMINISTRATIVE EMPLOYEES**  
**Last 10 Fiscal Years**  
**2007 Through 2016**

<u>Fiscal Year</u>	<u>Certified</u>	<u>Classified</u>	<u>Administrative</u>	<u>Total</u>
2016	990	971	72	2,033
2015	942	956	72	1,970
2014	929	954	69	1,952
2013	957	960	69	1,986
2012	1,060	897	69	2,026
2011	1,102	889	74	2,065
2010	1,099	869	76	2,044
2009	1,105	902	77	2,084
2008	1,110	1,076	73	2,259
2007	1,105	1,062	73	2,240

(1) Full-time equivalent (FTE) positions

Source:

Hillsboro School District 1J payroll records

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**STUDENT ENROLLMENT STATISTICS**

**Last Ten Fiscal Years**

**2007 Through 2016**

<u>Fiscal Year</u>	<u>Average Daily Membership</u>	<u>Percent Free and Reduced</u>	<u>Net Operating Expenditures per ADM</u>	<u>Student to Teacher Ratio</u>
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
2008	19,122	42%	7,948	17
2007	18,997	36%	7,947	17

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**STUDENT ENROLLMENT AND CAPITAL ASSET STATISTICS****Last Ten Fiscal Years****2007 Through 2016**

School/(Year Opened)	Square Footage	Fiscal Year Enrollment			
		2016	2015	2014	2013
Brookwood Elementary (1953)	43,041	391	388	360	382
Imlay Elementary (2002)	69,435	543	523	524	561
Butternut Creek Elementary (1977)	34,840	403	381	389	400
Patterson Elementary (2000)	69,435	464	475	477	486
Orengo Elementary (2000)	69,435	636	606	629	581
Indian Hills Elementary (1979)	40,219	497	495	444	437
Reedville Elementary (1922)	16,247	247	227	229	228
David Hill Elementary (1943)	27,828	Closed	Closed	Closed	Closed
Eastwood Elementary (1978)	49,163	506	518	510	497
Farmington View Elementary (1950)	22,867	295	292	222	215
Free Orchards Elementary (2008)	73,500	402	439	481	484
Jackson Elementary (1990)	50,767	530	553	548	531
L.C. Tobias Elementary (1992)	50,000	440	484	517	488
Groner K - 8 (1949)	32,402	153	141	140	154
Lenox Elementary (1949)	51,074	479	459	435	432
McKinney Elementary (1970)	49,163	462	460	468	501
Minter Bridge Elementary (1980)	49,163	508	500	512	482
Moobery Elementary (1963)	49,496	463	459	479	485
North Plains Elementary (1954)	46,913	299	301	298	305
Peter Boscow Elementary (1912)	67,752	Closed	Closed	Closed	Closed
Rosedale Elementary (2009)	73,700	403	407	394	370
Quatama Elementary (2008)	73,100	472	466	547	531
Ladd Acres Elementary (1968)	60,825	529	507	506	515
Lincoln Street Elementary (2008)	73,400	546	558	574	594
W.L. Henry Elementary (1968)	52,813	360	413	426	455
West Union Elementary (1948)	42,757	366	356	283	306
Witch Hazel Elementary (2003)	69,435	571	574	608	569
Brown Middle School (1963)	95,414	709	708	738	796
Evergreen Middle School (1981)	120,000	808	830	829	804
Hillsboro Online Academy (2012)	8,500	163	193	170	90
Thomas Middle School (1928)	Demolished	Closed	Closed	Closed	Closed
South Meadows Middle School (2009)	153,000	720	730	747	740
Poynter Middle School (1959)	83,200	733	769	746	722
Miller Ed Junior High (1959)	9,560	-	6	17	22
Century High School (1997)	265,000	1,563	1,611	1,669	1,631
Glencoe High School (1980)	240,000	1,619	1,612	1,615	1,603
Liberty High School (2003)	288,897	1,506	1,491	1,429	1,399
Hillsboro High School (1969)	253,652	1,357	1,340	1,352	1,361
Miller Ed High School (1958)	20,552	64	58	57	76
		<u>20,207</u>	<u>20,330</u>	<u>20,369</u>	<u>20,233</u>

Source:

From 4/1/10 K-12 Enrollment - HR Dept

2012	2011	2010	2009	2008	2007
411	443	445	457	535	566
560	590	609	617	541	659
414	414	412	451	449	439
513	548	552	515	733	654
531	515	438	424	605	594
446	449	451	443	385	407
248	247	276	291	346	366
Closed	Closed	Closed	Closed	262	337
486	486	473	472	481	505
225	220	224	215	209	226
488	499	487	472	-	-
508	527	535	537	620	656
491	523	524	543	550	563
156	175	171	191	192	206
444	427	390	402	425	440
516	497	474	503	536	533
500	464	427	461	442	362
475	493	488	513	516	543
288	313	311	320	332	310
Closed	Closed	Closed	Closed	355	388
364	350	363	-	-	-
533	556	638	513	-	-
520	571	548	636	647	603
579	543	522	545	-	-
490	451	467	605	594	616
310	314	305	312	402	349
530	559	544	645	609	489
828	821	859	919	899	875
794	827	855	886	873	778
-	-	-	-	-	-
Closed	Closed	Closed	543	524	544
800	748	750	-	-	-
690	706	678	775	782	713
14	19	22	17	19	16
1,674	1,584	1,537	1,524	1,454	1,493
1,594	1,580	1,554	1,490	1,427	1,444
1,362	1,289	1,244	1,270	1,264	1,269
1,418	1,426	1,470	1,481	1,477	1,478
77	72	60	50	60	69
<u>20,277</u>	<u>20,246</u>	<u>20,103</u>	<u>20,038</u>	<u>19,545</u>	<u>19,490</u>

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

**TEACHER DATA**

**2015-16 SCHOOL YEAR**

Education	Step	FTE	Salary
BA	A	35.08	\$ 40,989
BA	B	5.00	42,628
BA	C	4.60	44,333
BA	D	3.90	46,107
BA	E	1.00	47,951
BA	F	2.00	49,869
BA	G	3.00	51,864
BA	H	2.60	53,938
BA	I	1.00	56,096
BA	J	19.39	58,340
BA+24	A	5.90	42,220
BA+24	B	0.50	43,909
BA+24	C	0.00	45,665
BA+24	D	2.00	47,491
BA+24	E	4.00	49,391
BA+24	F	2.00	51,367
BA+24	G	1.00	53,421
BA+24	H	1.00	55,558
BA+24	I	0.00	57,781
BA+24	J	17.80	60,092
BA+45	A	3.00	43,486
BA+45	B	1.00	45,225
BA+45	C	0.80	47,034
BA+45	D	0.00	48,915
BA+45	E	1.00	50,872
BA+45	F	0.70	52,907
BA+45	G	0.00	55,023
BA+45	H	2.00	57,224
BA+45	I	1.00	59,513
BA+45	J	3.00	61,894
BA+45	K	2.00	64,369
BA+45	L	2.50	66,944
BA+45	M	12.80	69,622
MA	A	110.01	44,793
MA	B	21.87	46,584
MA	C	17.65	48,448
MA	D	16.18	50,385
MA	E	27.06	52,401

Education	Step	FTE	Salary
MA	F	24.57	\$ 54,497
MA	G	28.74	56,677
MA	H	20.57	58,944
MA	I	28.33	61,302
MA	J	25.12	63,754
MA	K	14.48	66,304
MA	L	24.33	68,956
MA	M	19.87	71,714
MA	N	110.98	74,583
MA+24	A	11.75	46,135
MA+24	B	8.00	47,981
MA+24	C	11.00	49,900
MA+24	D	10.86	51,896
MA+24	E	9.42	53,972
MA+24	F	13.00	56,131
MA+24	G	14.00	58,376
MA+24	H	16.18	60,711
MA+24	I	12.00	63,139
MA+24	J	10.75	65,665
MA+24	K	8.30	68,291
MA+24	L	15.83	71,023
MA+24	M	10.50	73,864
MA+24	N	60.19	76,819
MA+45	A	3.76	47,518
MA+45	B	3.00	49,419
MA+45	C	5.70	51,395
MA+45	D	5.60	53,451
MA+45	E	11.80	55,589
MA+45	F	16.08	57,813
MA+45	G	13.77	60,125
MA+45	H	17.57	62,530
MA+45	I	11.98	65,032
MA+45	J	11.77	67,633
MA+45	K	9.50	70,338
MA+45	L	10.74	73,152
MA+45	M	18.06	76,078
MA+45	N	121.84	79,121





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

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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, 2016, 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 20, 2016.

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

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

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

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

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

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

***Purpose of this Report***

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

  
CERTIFIED PUBLIC ACCOUNTANTS

December 20, 2016



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

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(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2016. 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* 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, 2016.

#### ***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 20, 2016

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

July 1, 2015 - June 30, 2016 Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period Begin Date    End Date		Revenue and Expenditures	Expenditures to Subrecipients
<b>DEPARTMENT OF AGRICULTURE:</b>						
<b>Passed through Oregon Department of Education:</b>						
<b>Child Nutrition Cluster</b>						
School Breakfast Program (SBP)	10.553	3408001	7/1/2015	6/30/2016	\$ 1,253,307	\$ -
National School Lunch Program (NSLP)	10.555	3408001	7/1/2015	6/30/2016	4,964,538	-
Summer Food Service Program For Children (SFSPC)	10.559	3408001	7/1/2015	6/30/2016	198,981	-
<b>Total Pass-Through Programs from Child Nutrition Cluster</b>					<b>6,416,826</b>	<b>-</b>
<b>Total Pass-Through Programs from Department of Education</b>					<b>6,416,826</b>	<b>-</b>
<b>DEPARTMENT OF AGRICULTURE TOTAL:</b>					<b>6,416,826</b>	<b>-</b>
<b>DEPARTMENT OF LABOR</b>						
<b>Passed through Work Systems, Inc:</b>						
<b>WIA/WIOA Cluster</b>						
WIA/WIOA Youth Activities	17.259	15-50100	7/1/2015	6/30/2016	483,613	97,613
<b>Total Pass-Through Programs from WIA/WIOA Cluster</b>					<b>483,613</b>	<b>97,613</b>
<b>Total Pass-Through Programs from Work Systems, Inc</b>					<b>483,613</b>	<b>97,613</b>
<b>DEPARTMENT OF LABOR TOTAL</b>					<b>483,613</b>	<b>97,613</b>
<b>DEPARTMENT OF EDUCATION:</b>						
Indian Education - Grants to Local Educational Agencies	84.060	S060A152526	7/1/2015	6/30/2016	22,856	-
<b>Direct Program</b>					<b>22,856</b>	<b>-</b>
<b>Total Direct Programs</b>					<b>22,856</b>	<b>-</b>
<b>Passed through the Office of Vocational Rehabilitation Services</b>						
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	143291	7/1/2013	6/30/2017	115,624	-
<b>Total Pass-Through Programs from Office of Vocational Rehabilitation Services</b>					<b>115,624</b>	<b>-</b>
<b>Passed through Oregon Department of Education:</b>						
<b>Title I Grants to Local Educational Agencies (LEAs)</b>						
Title IA	84.010	32599	7/1/2014	9/30/2016	187,956	-
Title IA	84.010	35990	7/1/2015	9/30/2016	3,457,692	-
Title ID	84.010	36560	7/1/2015	9/30/2016	21,162	-
2014-15 Focus Improvement - Brookwood Elementary	84.010	32749	7/1/2014	9/30/2015	14,964	-
2014-15 Focus Improvement - Reedville Elementary	84.010	32750	7/1/2014	9/30/2015	22,820	-
2015-16 Focus Improvement - Brookwood Elementary	84.010	37530	7/1/2015	9/30/2016	11,555	-
2015-16 Focus Improvement - Reedville Elementary	84.010	37531	7/1/2015	9/30/2016	24,033	-
Expanded Reading EA - Reedville Elementary	84.010	34262	8/1/2014	9/30/2015	6,034	-
Distinguished Schools	84.010	39367	12/1/2015	9/30/2016	12,000	-
<b>Pass-Through</b>					<b>3,758,216</b>	<b>-</b>

See notes to the schedule of expenditures of federal awards

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

July 1, 2015 - June 30, 2016 Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period Begin Date    End Date		Revenue and Expenditures	Expenditures to Subrecipients
<b>Migrant Education - State Grant Program</b>						
Title IC - Migrant Education	84.011	29957	7/1/2013	9/30/2015	\$ 10,925	\$ -
Title IC - Migrant Education	84.011	33598	7/1/2014	9/30/2016	118,422	-
Title IC - Migrant Education	84.011	37716	7/1/2015	9/30/2016	462,657	-
Title IC - Migrant Education - Preschool	84.011	33579	7/1/2014	9/30/2015	7,439	-
Title IC - Migrant Education - Preschool	84.011	37735	7/1/2015	9/30/2016	43,320	-
Title IC - Migrant Education - Summer	84.011	35103	5/1/2015	9/30/2015	269,298	-
<b>Pass-Through</b>					<u>912,061</u>	<u>-</u>
<b>Office of Special Education and Rehabilitative Services</b>						
<b>Special Education Cluster (IDEA)</b>						
<b>Special Education Grants to States</b>						
IDEA - Part B Section 611	84.027	33280	7/1/2014	9/30/2016	1,008,831	-
IDEA - Part B Section 611	84.027	36867	7/1/2015	9/30/2017	1,817,912	-
IDEA Enhancement 2015-16	84.027	38338	7/1/2015	9/30/2016	12,731	-
Extended Assessment 2015-16	84.027	35761	7/1/2015	6/30/2016	5,358	-
SPR&I 2015-16	84.027	37885	8/1/2015	6/30/2016	11,332	-
Post School Outcomes - Shelter Workshop	84.027	39741	3/16/2016	3/18/2016	580	-
IEP Training	84.027	39740	8/19/2015	8/30/2015	82	-
<b>Pass-Through</b>					<u>2,856,826</u>	<u>-</u>
<b>Special Education Preschool Grants</b>						
IDEA - Part B Section 619 2014-15	84.173	33460	7/1/2014	9/30/2016	13,766	-
<b>Pass-Through</b>					<u>13,766</u>	<u>-</u>
<b>Total Pass-Through Programs from Special Education Cluster (IDEA)</b>					<u>2,870,592</u>	<u>-</u>
<b>Office of Vocational and Adult Education</b>						
<b>Career and Technical Education - Basic Grants to States</b>						
Perkins Comprehensive Basic	84.048	31761	7/1/2014	9/30/2015	23,003	-
Perkins Comprehensive Basic	84.048	36407	7/1/2015	9/30/2016	149,614	-
<b>Pass-Through</b>					<u>172,617</u>	<u>-</u>
<b>Office of Educational Improvement and Innovation</b>						
<b>Education for Homeless Children and Youth</b>						
Title X McKinney Vento	84.196	34328	7/1/2014	9/30/2016	20,191	-
<b>Pass-Through</b>					<u>20,191</u>	<u>-</u>
<b>English Language Acquisition Grants</b>						
Title III - Language Instruction	84.365	32330	7/1/2014	9/30/2016	74,821	-
Title III - Language Instruction	84.365	36329	7/1/2015	9/30/2016	296,374	-
<b>Pass-Through</b>					<u>371,195</u>	<u>-</u>
<b>Improving Teacher Quality State Grants</b>						
Title IIA - Teacher Quality	84.367	28659	7/1/2013	9/30/2015	25,331	-
Title IIA - Teacher Quality	84.367	32923	7/1/2014	9/30/2016	89,170	-
Title IIA - Teacher Quality	84.367	36187	7/1/2015	9/30/2016	408,521	-
<b>Pass-Through</b>					<u>523,022</u>	<u>-</u>
<b>Total Pass-Through from Oregon Department of Education</b>					<u>8,627,894</u>	<u>-</u>
<b>DEPARTMENT OF EDUCATION TOTAL</b>					<u>8,766,374</u>	<u>-</u>

See notes to the schedule of expenditures of federal awards

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

<b>July 1, 2015 - June 30, 2016</b>	<b>Federal</b>	<b>Agency or</b>	<b>Program</b>		<b>Revenue</b>	<b>Expenditures</b>
<b>Federal Grantor,</b>	<b>CFDA</b>	<b>Pass-through</b>	<b>Period</b>		<b>and</b>	<b>to</b>
<b>Program Title</b>	<b>Number</b>	<b>Number</b>	<b>Begin Date</b>	<b>End Date</b>	<b>Expenditures</b>	<b>Subrecipients</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<b>Affordable Care Act (ACA) Abstinence Education Program</b>						
CAF-SSP (My Future My Choice)	93.235	142674	7/1/2013	6/30/2016	\$ 19,361	\$ -
				<b>Direct Program</b>	19,361	-
				<b>Total Direct Programs</b>	19,361	-
<b>Passed through Washington County:</b>						
Promoting Safe and Stable Families	93.556	16-0151	1/1/2016	6/30/2017	47,320	-
				<b>Pass Through</b>	47,320	-
				<b>Total Pass-Through Programs from Washington County</b>	47,320	-
<b>Passed through the Oregon Department of Education:</b>						
<b>CCDF Cluster</b>						
Child Care and Development Block Grant	93.575	9841	7/1/2011	6/30/2017	70,211	-
				<b>Total Pass-Through Programs from CCDF Cluster</b>	70,211	-
				<b>Total Pass-Through from Oregon Department of Education</b>	70,211	-
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					136,892	-
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>					\$ 15,803,705	\$ 97,613

See notes to the schedule of expenditures of federal awards

*HILLSBORO SCHOOL DISTRICT 1J*  
*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*YEAR ENDED JUNE 30, 2016*

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*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, 2016.

### *Revenue and Expenditure Recognition*

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

**HILLSBORO SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

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**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

10.553, 10.555 & 10.559  
84.365

Child Nutrition Cluster  
English Language Acquisition State Grants

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

None.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**HILLSBORO SCHOOL DISTRICT 1J, HILLSBORO, OREGON**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

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***PRIOR YEAR FINANCIAL STATEMENT FINDINGS***

None.

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

None.

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

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

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

School Board  
Hillsboro School District 1J  
Hillsboro, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Hillsboro School District 1J, Washington County, Oregon (the District) as of and for the year ended June 30, 2016, and have issued our report thereon dated December 20, 2016.

#### ***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.

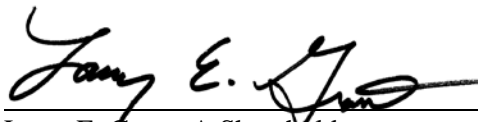
***Internal Control***

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 20, 2016