

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2015



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

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT for the Fiscal Year Ended June 30, 2015**

*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 28, 2015

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

In accordance with the provisions of Oregon Revised Statutes, Sections 297.405 to 297.555 and 297.990, known as the Municipal Audit Law, there is submitted herewith the Comprehensive Annual Financial Report of Hillsboro School District 1J, Washington County, Oregon, for the fiscal year ended June 30, 2015.

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, 2015, 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.

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

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 2014-15, management staff consisted of 1 superintendent, 2 assistant superintendents, 5 executive directors, 9 directors, 1 chief financial officer, 1 chief technology officer, principals, and vice-principals. The Board of Directors hires all management staff members. The District also employs 942 teachers and 956 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 135,294. 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 1,206, or an average of approximately 0.65 percent per year during the last decade.

School Year	Average Daily Membership
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
05-06	18,711

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 2015 shows the PMSA unemployment rate at 4.7 percent, which is the lowest it has been in the past ten years. The May 2015 Oregon Economic and Revenue forecast, published by the Oregon Office of Economic Analysis, projects a strengthening national and state economy, with total state general fund net revenues increasing by 10.4 percent in the 2015-2017 biennium, 10.4 percent in the 2017-2019 biennium, and 10.5 percent in the 2019-2021 biennium.

LONG-TERM FINANCIAL PLANNING

The Hillsboro School District has emphasized a conservative long-term financial plan that stresses stability of 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, who 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 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 will present a draft plan for addressing growth and improvements to existing facilities to the Board of Directors in the spring of 2016.

MISSION STATEMENT AND PRIORITIES

In the spring of 2011, the Hillsboro community schools, District staff, and Board of Directors revised their five-year Strategic Plan, which is the District's blueprint for educational excellence. The five strategies are:

- Instruction – Ensure that systems of instructional improvement lead to the highest levels of learning for all students and staff.
- Engagement – Inform, involve and engage all stakeholders.
- Equity – Ensure increased awareness and action in the implementation of equitable systems, programs, and practices.
- Facilities – Utilize resources effectively and equitably, and plan for future growth.
- Safety – Create and ensure a safe learning and working environment.

During the 2014-15 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 the 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 hereafter 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, which 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. 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 funds, 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, 2014. This was the twentieth consecutive year 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 2015 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, 2014

Executive Director/CEO

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

OFFICIALS OF THE DISTRICT

JUNE 30, 2015

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, Chair	June 30, 2015
Position 5	Adriana Cañas	June 30, 2015
Position 6	Eric Seligman	June 30, 2017
Position 7	Wayne Clift	June 30, 2015

All Board members receive mail at the address below:

DISTRICT ADMINISTRATION

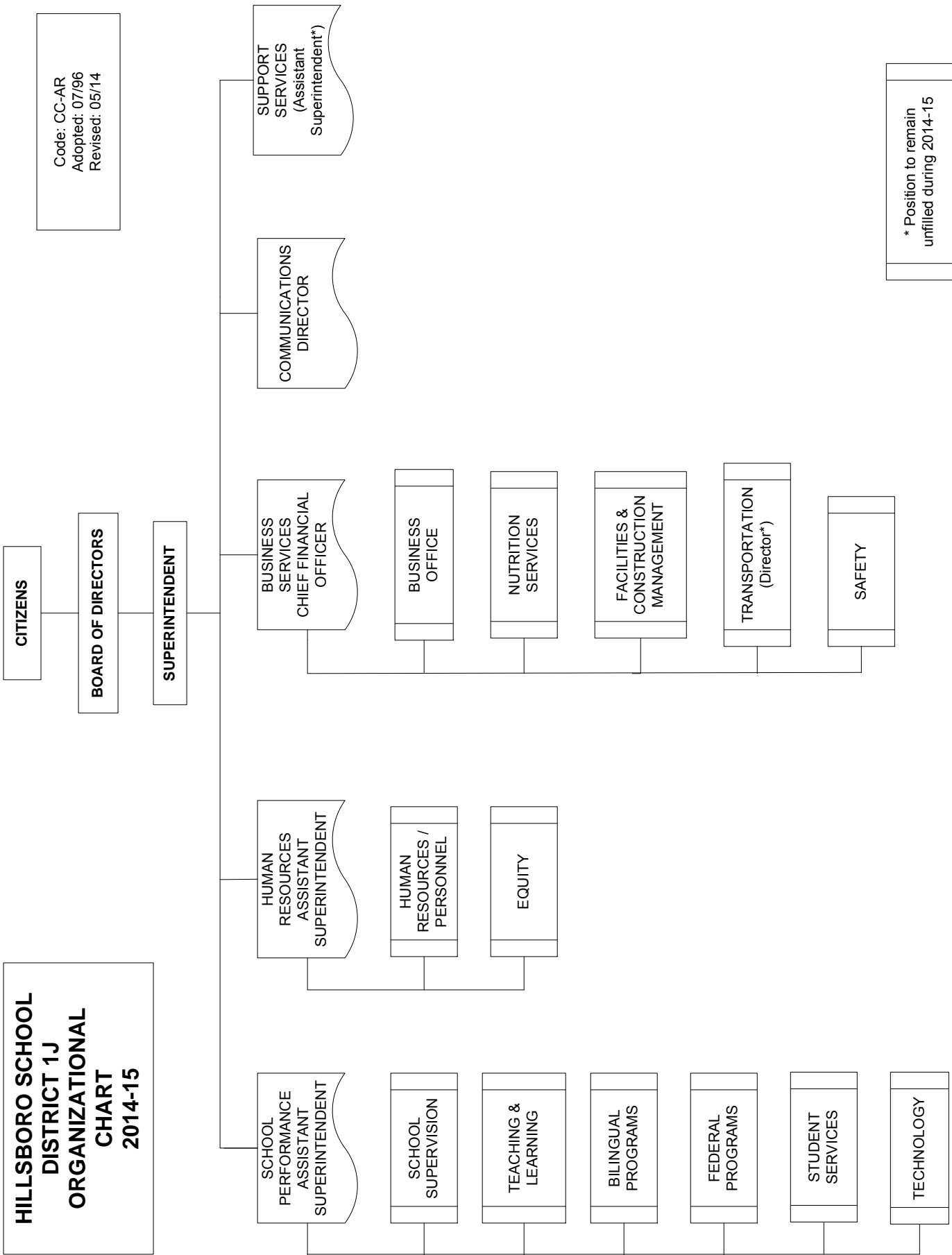
Mike Scott, Superintendent – Clerk
Adam Stewart, Chief Financial Officer – Deputy Clerk

DISTRICT ADDRESS

3083 NE 49th Place, #200
Hillsboro, Oregon 97124

**HILLSBORO SCHOOL
DISTRICT 1J
ORGANIZATIONAL
CHART
2014-15**

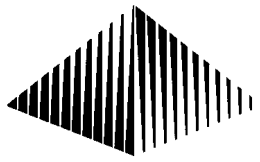
Code: CC-AR
Adopted: 07/96
Revised: 05/14



* Position to remain unfilled during 2014-15

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GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

School Board
Hillsboro School District 1J
Hillsboro, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hillsboro School District 1J, Washington County, Oregon (the District) as of and for the year ended June 30, 2015, 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, 2015, 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, “*Accounting and Reporting for Pension Plans – an amendment of GASB Statement No. 27*” and GASB Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date*”. The net position at July 1, 2014 was restated to reflect the change. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), 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 MD&A, the schedules of funding progress for other postemployment benefits, the schedule of the proportional share of the net position 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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

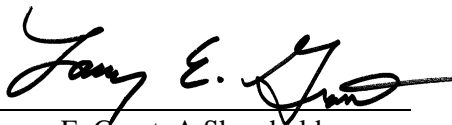
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, 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 28, 2015, 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 28, 2015

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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 \$2.8 million (net position). Of this amount, \$78.8 million represents the District's investment in capital assets, \$5.4 million is restricted for special programs, \$7.4 million for debt service, and the (\$94.4) million balance is unrestricted. The District's overall Net Position has increased from the 2014 *restated value by \$61.3 million. This restated net position is primarily due to the implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and 71. Please see Notes to Basic Financial Statement, page 64 for details.
- For the fiscal year ended June 30, 2015, the District's total current and other assets decreased by \$41.8 million. This decrease is primarily due to the restatement of PERS Unfunded Liability per GASB 68 requirements. Please see Notes to Basic Financial Statement, page 64 for details.
- An actuarial study conducted by Independent Actuaries, Inc. projected the Actuarial Accrued Liability for Other Postemployment Benefits (OPEB) to be \$6.3 million, and the Net Pension Obligation to be \$1.1 million as of June 30, 2015.
- The District's governmental funds show a combined ending fund balance of \$28.8 million, a decrease of \$2.3 million in comparison with the prior year. The decrease is primarily attributable to a reduction in capital project reserves of \$3.2 million. At the end of the fiscal year, the unassigned fund balance for the General Fund was \$17.3 million, or about 9.3 percent of total General Fund expenditures.
- The District's total current and long-term debt increased by \$19.0 million during the 2014-15 fiscal year, due to the net effect of debt service payments, refunding 2006 callable General Obligation Bonds, and the 2015 Pension Obligation Bond sale.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

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), what it owes (liabilities), 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, 2015

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 fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, 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, 2015

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 29-65 of this report.

Supplementary Information

Schedules presenting detailed budgetary information for individual funds and other supplementary information can be found on pages 77-93 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 \$2.8 million at June 30, 2015.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 75.9 percent of total assets. The remaining assets consist mainly of investments, cash, grants, and property taxes receivable.

The District's largest liability (95.3 percent) is for the repayment of long-term debt. Other liabilities, representing about 4.7 percent of the District's total liabilities, consist of payables on accounts, salaries and benefits, and other accrued liabilities.

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Governmental Activities			Increase (Decrease) From restated Fiscal 2014*
	2015	2014*	2014	
Current and other assets	\$ 78,080	\$ 119,840	\$ 119,887	\$ (41,760)
Capital assets	245,544	246,459	246,459	(915)
Total assets	323,624	366,299	366,346	(42,675)
Deferred outflows of resources	58,389	(56,131)	-	114,520
Total assets and deferred outflows	382,013	310,168	366,346	71,845
Current liabilities	15,326	15,352	15,399	(26)
Long-term debt outstanding	307,365	288,355	288,355	19,010
Total liabilities	322,691	303,707	303,754	18,984
Deferred inflows of resources	62,137	70,546	-	(8,409)
Total liabilities and deferred inflows	384,828	374,253	303,754	10,575
Net position:				
Net investment in capital assets	78,831	64,738	64,738	14,093
Restricted	12,780	9,943	9,943	2,837
Unrestricted	(94,426)	(138,766)	(12,089)	44,340
Total net position	\$ (2,815)	\$ (64,085)	\$ 62,592	\$ 61,270

During the current fiscal year, the District's net position increased by \$61.3 million.

* Restated per GASB 68 see Notes to Basic Financial Statements, item 13.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, are as follows:

Hillsboro School District 1J			
Changes in Net Position			
(in thousands)			
	Governmental Activities		Increase (Decrease) from Fiscal
	2015	2014	2014
Revenues:			
Program revenues:			
Charges for services	\$ 6,204	\$ 7,171	\$ (967)
Operating grants and contributions	20,926	18,533	2,393
Capital grants and contributions	-	384	(384)
General Revenues:			
Property taxes	89,516	85,158	4,358
State school fund – general support	121,330	113,663	7,667
Unrestricted state and local sources	5,137	2,547	2,590
Earnings on investments	338	277	60
Miscellaneous	433	1,430	(997)
Total revenues	<u>243,884</u>	<u>229,163</u>	<u>14,720</u>
Expenses:			
Instruction	90,177	113,613	(23,436)
Support services	71,099	79,208	(8,109)
Enterprise and community services	8,308	8,129	179
Interest on long-term debt	13,030	13,034	(4)
Total Expenses	<u>182,614</u>	<u>213,984</u>	<u>(31,370)</u>
Increase in net position	61,270	15,180	46,090
Net position – July 1 (as restated)	<u>(64,085)</u>	<u>47,412</u>	<u>(111,497)</u>
Net position – June 30	<u>\$ (2,815)</u>	<u>\$ 62,592</u>	<u>\$ (65,407)</u>

HILLSBORO SCHOOL DISTRICT 1J

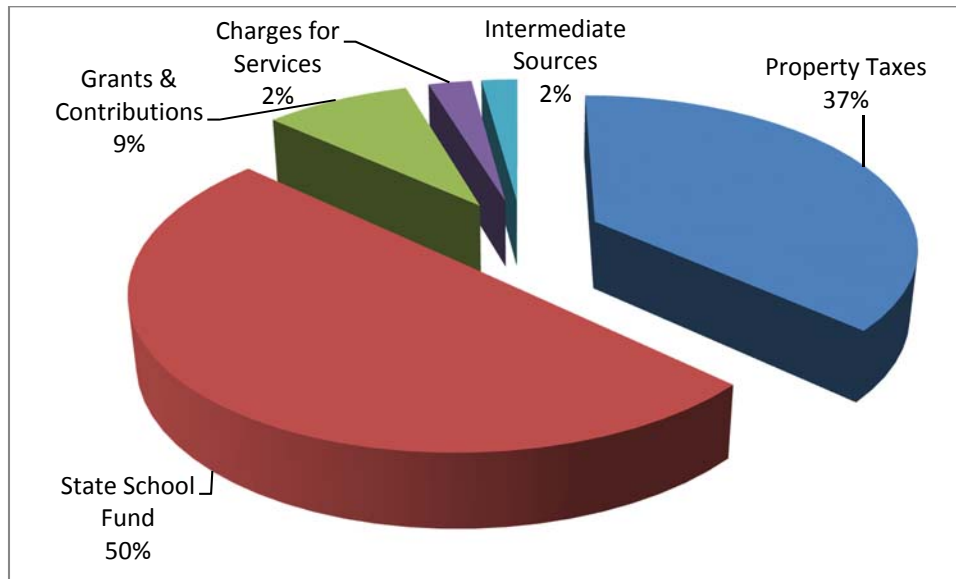
Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



- State School Fund revenue increased \$7.7 million, an increase of 6.7 percent from 2013-14.
- Property Taxes increased by \$4.4 million, reflecting an increase in Assessed Value within the District.
- Grants and Contributions increased by \$2.4 million, an increase of 12.9 percent from 2013-14. This increase was primarily due to stabilization after the recession, use of ESD “pass-through” dollars, and other local support.

HILLSBORO SCHOOL DISTRICT 1J

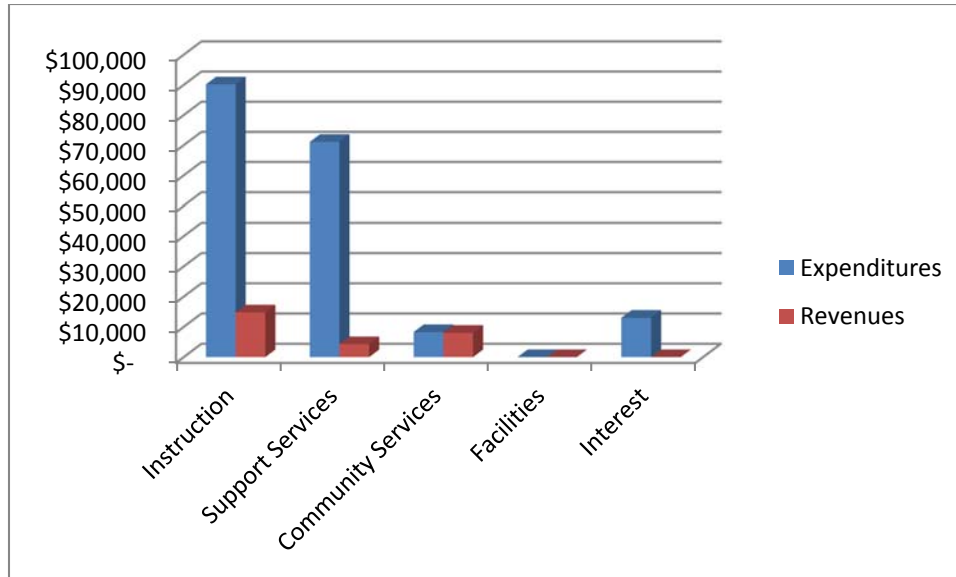
Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the District's governmental funds reported combined ending fund balances of \$28.8 million, a decrease of \$2.3 million in comparison with the prior year. About \$17.3 million (60.0 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, 2015

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

Governmental Funds (Continued)

About \$1.4 million (5.0 percent) is restricted for debt service obligations.

General Fund

The General Fund is the chief operating fund of the District. As of June 30, 2015, the total fund balance was \$19.1 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 10.3 percent of total General Fund expenditures.

The fund balance increased by \$3.1 million during the current fiscal year. This increase was due primarily to an increase in State School Fund Revenue.

Special Revenue Fund

At June 30, 2015, the fund balance was \$5.4 million, which is an increase of \$0.3 million from the prior year.

Debt Service Fund

The Debt Service Fund has a total fund balance of \$1.4 million, all of which is restricted for the payment of debt service. This represents a net decrease in fund balance from the prior year of \$2.6 million. The \$1.4 million level of carryover is adequate to address debt service requirements until property taxes are received in November.

Capital Projects Fund

The Capital Projects Fund has a total fund balance of \$2.9 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 \$3.1 million. The decrease is reflective of planned expenditures spent on construction projects that occurred during the year.

HILLSBORO SCHOOL DISTRICT 1J

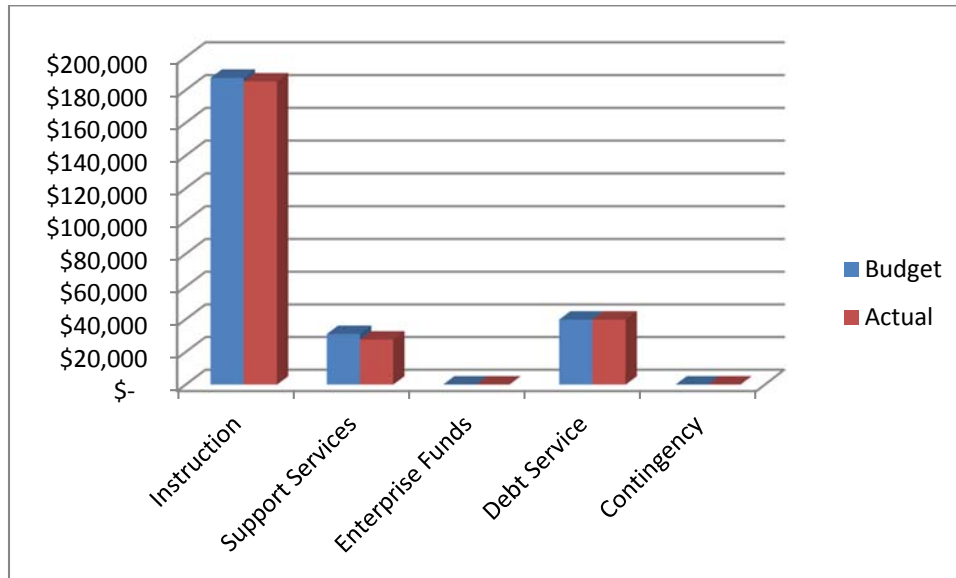
Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, was increased by \$2.6 million during the fiscal year to reflect the receipt of Gain Share funds from the City of Hillsboro and Washington County. During the year, expenditures were \$2.3 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, 2015, the District had invested over \$245 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, 2015

6. CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

	Hillsboro School District 1J		Increase (Decrease) from Fiscal 2014
	Capital Assets		
	(in thousands)		
	Governmental Activities		
	2015	2014	
Land	\$ 39,437	\$ 37,035	\$ 2,402
Buildings and improvements	195,614	199,999	(4,385)
Vehicles and equipment	10,493	9,425	1,068
Total	<u>\$ 245,544</u>	<u>\$ 246,459</u>	<u>\$ (915)</u>

During the year, the District's investment in capital assets decreased by \$0.9 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 page 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 \$307 million, consisting of general obligation bonds, certificate of participation notes, capital leases, post retirement obligations, 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, 2015

6. CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt (Continued)

	Hillsboro School District 1J		Increase/ (Decrease) from Fiscal 2014
	Outstanding Debt (in thousands)		
	Governmental Activities		
	2015	2014	
General obligation bonds	\$ 164,129	\$ 181,927	\$ (17,798)
Certificates of participation	2,320	2,726	(406)
Capital leases payable	2,039	1,655	384
Note payable	1,090	1,443	(353)
Early retirement program	-	18	(18)
Net pension obligation	85	63	22
PERS pension bonds	131,410	94,900	36,510
Post retirement obligations	6,292	5,623	669
	<u>\$ 307,365</u>	<u>\$ 288,355</u>	<u>\$ 19,010</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 \$1.940 billion, which is significantly in excess of the District's outstanding general obligation debt.

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the State School Fund – General Support provided 50.0 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 \$1.5 million. The PERS Reserve Fund was rolled into the General Fund for GASB Statement 54 purposes. The District sold Pension Obligation Bonds on March 12, 2015, in the amount of \$39.3 million in an effort to create stability in the payroll rate required to fund the PERS pension liability.

A new two-year contract between the District and Hillsboro Education Association (HEA) was approved for the 2013-2015 time period. 2012-13 was the first year of a three-year contract between the District and Hillsboro Classified United (HCU) that covers the 2012-2015 school years. The contract called for an economic reopener (salaries and benefits) in year two and year three of the agreement. The District and HCU were able to reach agreement for the 2014-15 school year with classified employees receiving no cost of living increase, step delayed until the fifth paycheck, an increase to Step of 11 of each salary schedule (equivalent to Step 10 plus 4 percent), and a \$25 per month increase to the District insurance contribution.

The contract called for an economic reopener (salaries and benefits) in year two and year three of the agreement. The District and HCU were able to reach agreement on economic language for both year two and year three of the contract. It is important to note that both HEA and HCU have been willing to partner with the District during the budgeting process for the 2009-10, 2010-11, 2011-12, 2012-13, and 2013-14 school years, and made significant concessions to help mitigate the impact of the loss in state funding.

The enrollment for 2014-15 increased by six students over 2013-14.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

8. REQUESTS FOR INFORMATION

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

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, 2015

ASSETS:

Cash and investments	\$ 37,436,235
Receivables	8,619,229
Supply inventory	336,535
Prepaid expenses	233,196
PERS net pension asset	31,454,943
Capital assets:	
Not being depreciated	39,436,753
Being depreciated, net of accumulated depreciation	206,107,097
Total assets	<u>323,623,988</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred amount on refunding	5,209,687
PERS deferred outflow	53,179,060
Total deferred outflows of resources	<u>58,388,747</u>
Total assets and deferred outflows of resources	<u>382,012,735</u>

LIABILITIES:

Accounts payable	2,788,652
Accrued payroll, payroll taxes and employee withholdings	11,217,584
Accrued interest payable	342,049
Construction retainage	46,357
Unearned revenue	508,286
Accrued compensated absences payable:	
Due within one year	317,355
Due in more than one year	105,785
Long-term debt:	
Due within one year	28,567,193
Due in more than one year	278,797,340
Total liabilities	<u>322,690,601</u>

DEFERRED INFLOWS OF RESOURCES:

PERS deferred inflows	62,137,267
Total deferred inflows of resources	<u>62,137,267</u>
Total liabilities and deferred inflows of resources	<u>384,827,868</u>

NET POSITION:

Net investment in capital assets	78,831,288
Restricted for:	
Special programs	5,369,178
Debt service	7,410,609
Unrestricted	(94,426,208)
Total net position	<u>\$ (2,815,133)</u>

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, 2015

<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	\$ 90,177,101	\$ 4,531,645	\$ 10,258,791	\$ (75,386,665)
Support services	71,099,128	159,545	4,144,617	(66,794,966)
Enterprise and community services	8,308,170	1,512,339	6,522,598	(273,233)
Interest on long-term debt	13,029,323	-	-	(13,029,323)
Total Governmental Activities	\$ 182,613,722	\$ 6,203,529	\$ 20,926,006	(155,484,187)
		GENERAL REVENUES:		
		Property taxes levied for general purposes		59,703,224
		Property taxes levied for debt service		29,812,298
		State School Fund - general support		121,330,286
		Unrestricted intermediate sources		5,137,388
		Earning on Investments		337,386
		Miscellaneous		433,204
		TOTAL GENERAL REVENUES		<u>216,753,786</u>
		CHANGE IN NET POSITION		61,269,599
		NET POSITION, July 1, 2014 as originally reported		62,592,023
		Restatement (see Note 13)		<u>(126,676,755)</u>
		NET POSITION, July 1, 2014 as restated		<u>(64,084,732)</u>
		NET POSITION, JUNE 30, 2015		<u>\$ (2,815,133)</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, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 30,361,383	\$ 2,922,576	\$ 2,070,962	\$ 2,081,314	\$ 37,436,235
Receivables	4,331,563	2,981,101	1,306,565	-	8,619,229
Inventory	108,590	227,945	-	-	336,535
Prepaid items	233,196	-	-	-	233,196
Due from other funds	-	-	-	834,556	834,556
TOTAL ASSETS	<u>\$ 35,034,732</u>	<u>\$ 6,131,622</u>	<u>\$ 3,377,527</u>	<u>\$ 2,915,870</u>	<u>\$ 47,459,751</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 2,486,131	\$ 252,426	\$ -	\$ 50,095	\$ 2,788,652
Accrued payroll, payroll taxes and employee withholdings	11,215,852	1,732	-	-	11,217,584
Construction retainage	46,357	-	-	-	46,357
Due to other funds	-	-	834,556	-	834,556
Unearned revenue	-	508,286	-	-	508,286
TOTAL LIABILITIES	<u>13,748,340</u>	<u>762,444</u>	<u>834,556</u>	<u>50,095</u>	<u>15,395,435</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	<u>2,182,123</u>	<u>-</u>	<u>1,109,004</u>	<u>-</u>	<u>3,291,127</u>
 FUND BALANCES:					
Nonspendable					
Inventory	108,590	227,945	-	-	336,535
Prepaid items	233,196	-	-	-	233,196
Restricted for:					
Special Programs	-	5,141,233	-	-	5,141,233
Debt Services	-	-	1,433,967	-	1,433,967
Capital Projects	-	-	-	2,865,775	2,865,775
Assigned for:					
PERS Reserve	1,500,000	-	-	-	1,500,000
Unassigned	17,262,483	-	-	-	17,262,483
TOTAL FUND BALANCES	<u>19,104,269</u>	<u>5,369,178</u>	<u>1,433,967</u>	<u>2,865,775</u>	<u>28,773,189</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 35,034,732</u>	 <u>\$ 6,131,622</u>	 <u>\$ 3,377,527</u>	 <u>\$ 2,915,870</u>	 <u>\$ 47,459,751</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, 2015

TOTAL FUND BALANCES		\$ 28,773,189
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Capital assets	\$ 396,484,368	
Accumulated depreciation	<u>(150,940,518)</u>	
		245,543,850
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.		3,291,127
In bond refunding, a larger amount paid to the escrow agent than the premiums of the bonds being refunded that was recorded as interest expense. This deferred outflow of resources is recognized based on the schedule of maturities of the refunded bonds.		5,209,687
Compensated absences are reported when earned as a 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.		(423,140)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(342,049)
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	(84,662)	
Note payable	(1,089,976)	
Bonds payable (net of premium)	(164,128,553)	
Certificates of participation payable (net of discount)	(2,320,425)	
Capital leases payable	(2,039,383)	
Net OPEB obligation	(6,291,534)	
PERS pension bonds payable	<u>(131,410,000)</u>	
		(307,364,533)
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 asset	31,454,943	
PERS deferred outflow of resources	53,179,060	
PERS deferred inflow of resources	<u>(62,137,267)</u>	
		<u>22,496,736</u>
TOTAL NET POSITION		<u>\$ (2,815,133)</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, 2015**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:					
Local sources:					
Property taxes	\$ 59,970,921	\$ -	\$ 29,948,347	\$ -	\$ 89,919,268
Charges for services	724,880	5,546,398	-	-	6,271,278
Earnings on investments	256,533	-	72,672	8,181	337,386
Other	947,547	1,870,839	7,257,454	149,091	10,224,931
Intermediate sources	5,137,388	937,350	-	-	6,074,738
State sources	121,330,286	1,896,050	-	-	123,226,336
Federal sources	-	16,174,120	-	-	16,174,120
Total Revenues	<u>188,367,555</u>	<u>26,424,757</u>	<u>37,278,473</u>	<u>157,272</u>	<u>252,228,057</u>
EXPENDITURES:					
Current:					
Instruction	106,208,629	10,553,760	-	-	116,762,389
Support services	77,984,425	7,931,317	20,739	84,613	86,021,094
Enterprise and community services	398,876	8,953,281	-	-	9,352,157
Capital outlay	103,803	135,411	-	2,825,867	3,065,081
Debt service:					
Principal	420,000	-	27,440,000	352,756	28,212,756
Interest	109,850	-	12,403,837	57,707	12,571,394
Total Expenditures	<u>185,225,583</u>	<u>27,573,769</u>	<u>39,864,576</u>	<u>3,320,943</u>	<u>255,984,871</u>
Excess (deficiency) of revenues over expenditures	3,141,972	(1,149,012)	(2,586,103)	(3,163,671)	(3,756,814)
OTHER FINANCING SOURCES (USES):					
Issuance of debt	-	-	57,425,460	-	57,425,460
Bond premium	-	-	1,071,404	-	1,071,404
Lease purchase receipts	-	1,430,050	-	-	1,430,050
Sale or compensation for loss of capital asset	5,405	-	-	-	5,405
Payment to escrow	-	-	(18,987,961)	-	(18,987,961)
PERS UAL bond lump sum payment	-	-	(38,974,396)	-	(38,974,396)
Issuance costs	-	-	(499,047)	-	(499,047)
Total Other Financing Sources (Uses)	<u>5,405</u>	<u>1,430,050</u>	<u>35,460</u>	<u>-</u>	<u>1,470,915</u>
NET CHANGE IN FUND BALANCES	3,147,377	281,038	(2,550,643)	(3,163,671)	(2,285,899)
FUND BALANCES, July 1, 2014	<u>15,956,892</u>	<u>5,088,140</u>	<u>3,984,610</u>	<u>6,029,446</u>	<u>31,059,088</u>
FUND BALANCES, June 30, 2015	<u>\$ 19,104,269</u>	<u>\$ 5,369,178</u>	<u>\$ 1,433,967</u>	<u>\$ 2,865,775</u>	<u>\$ 28,773,189</u>

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, 2015

NET CHANGES IN FUND BALANCES		\$ (2,285,899)
<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	\$ 6,606,532	
Less current year change in accumulated depreciation	<u>(7,521,747)</u>	(915,215)
<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>		
Deferred amount on refunding	6,946,249	
Amortization	<u>(1,736,562)</u>	5,209,687
<p>Governmental funds do not accrue interest payable, but are accrued in the government-wide statements.</p>		
		41,118
<p>The liability for other postemployment 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	(21,224)	
Net OPEB obligation	(668,888)	
Termination benefits liability	<u>18,600</u>	(671,512)
<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>		
		5,929
<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	(58,461,404)	
Debt principal repaid	40,254,468	
Amortization expense	267,851	
Unamortized discount	<u>(14,858)</u>	(17,953,943)
<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	(1,430,050)	
Debt principal repaid	<u>1,046,005</u>	(384,045)
<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>		
		(403,746)
<p>In the Statement of Activities, pension expense is adjusted based upon the actuarially determined contribution changes</p>		
		<u>78,627,225</u>
CHANGE IN NET POSITION		<u><u>\$ 61,269,599</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, 2015

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 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, 2015

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, 2015

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

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, 2015

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 \$423,140. Compensated leave balances carryover 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, 2015

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 March 2009, the Government Accounting Standards Board (GASB) issued Statement 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy primarily based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications: non-spendable, restricted, committed, assigned, and unassigned.

- 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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Assigned fund balance (Continued)

- Unassigned Fund Balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

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

Stewardship, Compliance, and Accountability

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

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stewardship, Compliance, and Accountability (Continued)

Budgetary Information (Continued)

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.

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. In the General Fund, Support Services and Facilities Acquisition and Construction were over-expended by \$2,107,782 and \$103,803, respectively; in the Special Revenue Fund, Enterprise and Community Services was over-expended by \$1,099,053; in the Capital Projects Fund, Support Services was over-expended by \$84,613; and in the Debt Service Fund, Support Services and Debt Service Function were over-expended by \$20,739 and \$39,285,000, respectively.

- **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 supplementary 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 other post-employment benefits (OPEB), compensated absences, and accrued interest

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stewardship, Compliance, and Accountability (Continued)

Budgetary Basis of Accounting (Continued)

liabilities are recorded as an expense when paid; debt is recorded as a revenue when borrowed and an expense when paid; inventory and capital outlay expenditures are expensed when purchased; depreciation and amortization are not recorded; and property taxes are recorded as revenue when available.

2. CASH AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and investments". In addition, cash and investments are separately held by the Debt Service and Capital Projects Funds.

Cash and investments are comprised of the following at June 30, 2015:

Deposits with financial institutions:	
Demand Deposits	\$ 4,421,474
Money Market	2,336,386
Certificates of Deposit	280,985
Investments	<u>30,397,390</u>
Total	<u>\$ 37,436,235</u>

Deposits

The District's deposits with various financial institutions at year end had a bank value of \$8,909,653, and a book value of \$7,038,845. 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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits

In the case of deposits, there is the risk that in the event of a bank failure, the District's deposits may not be returned. The FDIC provides insurance for the District's deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits, and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100 percent protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10 percent of their quarter-end public fund deposits if they are well capitalized, 25 percent of their quarter-end public fund deposits if they are adequately capitalized, or 110 percent of their quarter-end public fund deposits if they are undercapitalized, or assigned to pledge 110 percent by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. Credit union deposits are insured up to \$250,000 under the NCUA. As of June 30, 2015, \$6,823,721 of the District's bank balances were covered by the PFCP, and \$1,004,528 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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

2. CASH AND INVESTMENTS (Continued)

Investments (Continued)

Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions, as well as investments, in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2015.

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, 2015. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

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

As of June 30, 2015, 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>\$ 30,397,390</u>	<u>\$ 30,397,390</u>	<u>\$ -</u>	<u>\$ -</u>

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

2. CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

The District limits investment maturities as follows:

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

Credit Risk – Neither the Oregon Revised Statutes or 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, 2015, the District was in compliance with all percentage restrictions.

3. RECEIVABLES

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

3. RECEIVABLES (Continued)

Receivables are comprised of the following:

Property taxes	\$ 3,881,663
Grants	2,981,101
Interest and other	<u>1,756,465</u>
Total	<u>\$ 8,619,229</u>

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance June 30, 2014	Adjustment	Additions	Reductions	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$ 37,034,590	\$ -	\$ 2,402,163	\$ -	\$ 39,436,753
Total capital assets not being depreciated	<u>37,034,590</u>	<u>-</u>	<u>2,402,163</u>	<u>-</u>	<u>39,436,753</u>
Capital assets being depreciated:					
Building and improvements	307,018,236	-	2,488,311	-	309,506,547
Original furniture and fixtures	23,479,249	-	-	-	23,479,249
Equipment	3,145,517	-	90,207	-	3,235,724
Motor vehicles	15,616,334	-	1,519,537	(261,413)	16,874,458
Information technology equipment	<u>3,583,910</u>	<u>-</u>	<u>367,727</u>	<u>-</u>	<u>3,951,637</u>
Total capital assets being depreciated	<u>352,843,246</u>	<u>-</u>	<u>4,465,782</u>	<u>(261,413)</u>	<u>357,047,615</u>
Less accumulated depreciation for:					
Building and improvements	(107,019,212)	-	(6,873,550)	-	(113,892,762)
Original furniture and fixtures	(19,662,755)	-	(359,478)	-	20,022,233
Equipment	(2,550,302)	-	(73,790)	-	(2,624,092)
Motor vehicles	(11,769,587)	-	(171,946)	261,413	(11,680,120)
Information technology equipment	<u>(2,416,915)</u>	<u>-</u>	<u>(304,396)</u>	<u>-</u>	<u>(2,721,311)</u>
Total accumulated depreciation	<u>(143,418,771)</u>	<u>-</u>	<u>(7,783,160)</u>	<u>261,413</u>	<u>(150,940,518)</u>
Total capital assets being depreciated, net	<u>209,424,475</u>	<u>-</u>	<u>(3,317,378)</u>	<u>-</u>	<u>206,107,097</u>
Total capital assets, net	<u>\$ 46,459,065</u>	<u>\$ -</u>	<u>\$ (915,215)</u>	<u>\$ -</u>	<u>\$245,543,850</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

4. CAPITAL ASSETS (Continued)

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

<u>Program</u>	<u>Depreciation</u>
Instruction	\$ 4,283,959
Support Services	3,156,075
Enterprise and Community Services	<u>343,126</u>
Total Depreciation	<u>\$ 7,783,160</u>

5. COMPENSATED ABSENCES

Activity for compensated absences for the year ended June 30, 2015 is as follows:

Balance July 1, 2014	\$ 358,749
Additions	423,140
Payments	<u>(358,749)</u>
Balance June 30, 2015	<u>\$ 423,140</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 \$1.7 million to \$2.0 million due to the purchase of 13 new school buses. The leased buses have a cost of \$5.1 million, and a net book value of \$2.0 million, and accumulated depreciation of \$3.1 million at June 30, 2015. 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, 2015

6. CAPITAL LEASES (Continued)

<u>Description</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2014</u>	<u>Additions</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2015</u>	<u>Due Within One Year</u>
2010-11 BlueBird Bus Lease Purchase	\$ 1,462,921	\$ 304,605	\$ -	\$ 304,605	\$ -	\$ -
2010-11 Navistar Bus Lease Purchase	744,008	153,208	-	153,208	-	-
2013-14 US Bank Bus Lease Purchase	1,507,649	1,197,525	-	292,847	904,678	296,264
2014-15 US Bank Bus Lease Purchase	<u>1,430,050</u>	<u>-</u>	<u>1,430,050</u>	<u>295,345</u>	<u>1,134,705</u>	<u>276,825</u>
Total	<u>\$ 5,144,628</u>	<u>\$ 1,655,338</u>	<u>\$ 1,430,050</u>	<u>\$ 1,046,005</u>	<u>\$ 2,039,383</u>	<u>\$ 573,089</u>

Future minimum lease payments are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 573,089	\$ 34,595
2017	582,871	24,813
2018	592,821	14,863
2019	<u>290,602</u>	<u>4,743</u>
Total	<u>\$ 2,039,383</u>	<u>\$ 79,014</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

7. LONG-TERM DEBT

Long-term debt is comprised of:

	<u>Total</u>	<u>Due Within One Year</u>
Bonds payable	\$ 164,128,553	\$ 23,495,000
Certificates of participation	2,320,425	425,142
Capital leases payable	2,039,383	573,089
Notes payable	1,089,976	368,962
Net OPEB obligation	6,291,534	-
Net pension obligation	84,662	-
PERS pension bonds	131,410,000	3,705,000
Balance June 30, 2015	307,364,533	<u>\$ 28,567,193</u>
Due within one year	<u>28,567,193</u>	
Due in more than one year	<u>\$ 278,797,340</u>	

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2014</u>	<u>Additions</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2015</u>	<u>Due Within One Year</u>
Hillsboro School District 1J, issued March 1, 1998, interest rate 4.0-5.0%	\$ 22,795,000	\$ 2,920,000	\$ -	\$ 2,920,000	\$ -	\$ -
Hillsboro School District 1J, refunding issue May 2005, interest rate 3.7-5.12%	78,055,000	43,245,000	-	9,565,000	33,680,000	10,365,000
Hillsboro School District 1J, issued December 19, 2006, interest rate 4.0-5.0%	168,996,712	37,356,712	-	19,791,712	17,565,000	8,410,000
Hillsboro School District 1J, issued November 20, 2012, interest rate 1.5-5.0%	98,950,000	98,405,000	-	390,000	98,015,000	395,000
Hillsboro School District 1J, refunding issue August 2014, interest rate 0.88%	<u>18,290,000</u>	<u>-</u>	<u>18,105,000</u>	<u>4,040,000</u>	<u>14,065,000</u>	<u>4,325,000</u>
Total	387,086,712	181,926,712	18,105,000	36,706,712	163,325,000	23,495,000
Unamortized Premium	<u>-</u>	<u>-</u>	<u>1,071,404</u>	<u>267,851</u>	<u>803,553</u>	<u>-</u>
Grand Total	<u>\$ 387,086,712</u>	<u>\$ 181,926,712</u>	<u>\$ 19,176,404</u>	<u>\$ 36,974,563</u>	<u>\$ 164,128,553</u>	<u>\$ 23,495,000</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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
2016	\$ 23,495,000	\$ 6,798,015
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
2021-2025	63,780,000	7,298,775
	<u>\$ 163,325,000</u>	<u>\$ 31,486,378</u>

In August 2014, the District refinanced the Series 2006B callable deferred interest bonds in the amount of \$18.57 million for a significant savings to taxpayers (approximately \$6.5 million net present value). In addition to the savings, the refunding strategy improves the District's general obligation position with voters in anticipation of residential development and population expansion within the district. The final payment date is June, 2018.

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.

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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

7. LONG-TERM DEBT (Continued)

Other Long-Term Debt (Continued)

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.

In May 2015, the district issued \$39.86 million taxable pension obligation bonds to finance the District's estimated PERS unfunded actuarial liability. The bond proceeds were paid to the Oregon Public Employees Retirement System. Annual principal and interest payments are made each June 30, beginning in June 2015 and ending June 2034.

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.

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.

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 6/30/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding 6/30/2015</u>	<u>Due within One Year</u>
Certificate of participation	\$ 2,785,000	\$ -	\$ (420,000)	\$ 2,365,000	\$ 440,000
Unamortized discount	(59,433)	-	14,858	(44,575)	-
Net COPs	2,725,567	-	(405,142)	2,320,425	440,000
Note payable	1,442,732	-	(352,756)	1,089,976	368,962
PERS pension bonds	94,900,000	39,285,000	(2,775,000)	131,410,000	3,705,000
Total	<u>\$ 99,068,299</u>	<u>\$ 39,285,000</u>	<u>\$ (3,532,898)</u>	<u>\$ 134,820,401</u>	<u>\$ 4,513,962</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

7. LONG-TERM DEBT (Continued)

Other Long-Term Debt (Continued)

Future maturities of principal and interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 4,513,962	\$ 6,375,282
2017	5,560,912	5,813,772
2018	6,220,102	5,587,999
2019	6,565,000	5,338,697
2020	7,495,000	5,059,246
2021-2025	49,360,000	19,752,090
2026-2030	41,855,000	7,176,475
2031-2034	13,295,000	1,369,430
Total	<u>\$134,864,976</u>	<u>\$ 56,472,991</u>

Termination Benefit transactions for the year are as follows:

<u>Description</u>	<u>Outstanding 6/30/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding 6/30/2015</u>	<u>Due within One Year</u>
Early Retirement Plan - Term Benefits	<u>\$ 18,600</u>	<u>\$ -</u>	<u>\$ (18,600)</u>	<u>\$ -</u>	<u>\$ -</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 that of licensed employees.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

- 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.

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 \$28,000 for the 2014-15 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, 2015, amount actually contributed to the plan, and changes in the net pension obligation:

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

GASB Statement 27 (Continued)

<u>Description</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual required contribution	\$ 62,235	\$ 39,322	\$ 40,797
Interest on net OPEB	1,305	2,911	2,538
Adjustment to ARC for Net Pension Obligation	(8,174)	(18,236)	(15,899)
Annual pension cost (APC)	55,366	23,997	27,436
Expected Contributions	<u>(15,218)</u>	<u>(33,322)</u>	<u>(6,212)</u>
Increase (Decrease) in net pension obligation	40,148	(9,325)	21,224
Net Pension Obligation (Asset) at beginning of year	<u>32,615</u>	<u>72,763</u>	<u>63,438</u>
Net Pension Obligation (Asset) at end of year	<u>\$ 72,763</u>	<u>\$ 63,438</u>	<u>\$ 84,662</u>
Percentage of APC Contributed	27%	139%	23%

Actuarial Methods and Assumptions - GASB Statement 27

The annual required contribution (ARC) for the current year was determined as part of the July 1, 2013, 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. The annual required contribution (ARC) for the current year was determined as part of the July 1, 2013, 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; and (c) retirement rate assumptions; (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)

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

Actuarial Methods and Assumptions - GASB Statement 27 (Continued)

are 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, 2013, the actuarial accrued liability for benefits was \$134,501 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$134,501. The annual payroll for active employees during the valuation year was \$106,957,887 for a ratio of UAAL to covered payroll of 0.1 percent. The Annual Required Contribution (ARC) for June 30, 2015, was actuarially determined to be \$40,797.

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 are increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

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. 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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

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

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	2013	2014	2015
Annual required contribution	\$ 2,016,928	\$ 1,713,707	\$ 1,777,970
Interest on net OPEB	155,399	194,034	224,905
Adjustment to ARC for Net Pension Obligation	(134,056)	(167,385)	(194,019)
Annual pension cost (APC)	2,038,271	1,740,356	1,808,856
Expected Contributions	1,072,385	968,548	1,139,968
Increase (Decrease) in net pension obligation	965,886	771,808	668,888
Net Pension Obligation (Asset) at beginning of year	3,884,952	4,850,838	5,622,646
Net Pension Obligation (Asset) at end of year	\$ 4,850,838	\$ 5,622,646	\$ 6,291,534

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, 2013, 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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

Funding Status and Funding Progress - GASB Statement 45

As of June 30, 2013, the actuarial accrued liability for benefits was \$17,162,154, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,162,154. The annual payroll for active employees covered by the plan in the actuarial valuation was \$106,957,887 for a ratio of UAAL to covered payroll of 16.0 percent. The Annual Required Contribution (ARC) for June 30, 2015, was actuarially determined to be \$1,777,970.

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.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

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

- 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.

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, 2015, 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

HILLSBORO SCHOOL DISTRICT 1J

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NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015

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, 2015

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, 2011 actuarial valuation, which became effective July 1, 2013. The State of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments, and their rates have been reduced. Employer contributions for the year ended June 30, 2015, were \$14,204,664, excluding amounts to fund employer specific liabilities, as well as a payment of \$38,974,396 funded by the limited-tax pension obligation bonds. Approximately \$7,257,346 was charged for the year ended June 30, 2015, as PERS benefits expenditures to be used for bond payments as they become due. Approximately \$39,652,829 was recognized as employer pension revenue during the reporting period.

At June 30, 2015, the District reported a net pension asset of \$31,454,943 for its proportionate share of the net pension asset. The pension asset was measured as of December 31, 2012, 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, 2012, the District's proportion was 1.39 percent.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

9. **PENSION PLAN (Continued)**

Contributions (Continued)

**PERS Schedule of Pension Amounts under GASB 68
June 30, 2015**

	<u>Deferred Outflow of Resources</u>	<u>Deferred (Inflow) of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	-	(60,695,299)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(1,441,968)
Subtotal - Amortized Deferrals	-	(62,137,267)
District contributions subsequent to measurement date	53,179,060	-
Net deferred outflow (inflow) of resources		<u>\$ (8,958,207)</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	\$ (15,487,296)
2017	(15,487,296)
2018	(15,487,296)
2019	(15,487,296)
2020	(188,083)
Thereafter	-
Total	<u>\$ (62,137,267)</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 July 29, 2015. Oregon PERS produces an independently audited CAFR which can be found at: 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, 2015

9. **PENSION PLAN (Continued)**

Actuarial Valuations

The employer contribution rates effective July 1, 2013, through June 30, 2015, 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, 2015

9. **PENSION PLAN (Continued)**

Actuarial Methods and Assumptions

Valuation date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, Published September 18, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset valuation method	Market value of assets
Inflation rate	2.75 percent
Investment rate of return	7.75 percent
Projected salary increase	3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service
Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

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 2012 Experience Study, which is reviewed for the four-year period ending December 31, 2012.

- **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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

9. PENSION PLAN (Continued)

Actuarial Methods and Assumptions (Continued)

those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

- **Sensitivity**. 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.

Additional disclosures related to Oregon PERS not applicable to specific employers are available by contacting PERS at PO BOX 23700 Tigard, OR 97281-3700, or online at http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

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, 2015, 2014, and 2013.

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 which may be disallowed by the grantor, if any, cannot be determined at this time, although District management expects such amounts, if any, to be immaterial.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

11. COMMITMENTS AND CONTINGENCIES (Continued)

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

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

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, 2015, were as follows:

General Fund	<u>\$ 233,196</u>
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13. RESTATEMENT OF PRIOR YEAR NET POSITION

Due to the implementation of GASB 68, a restatement of the prior year net position was required to remove the Prepaid PERS unfunded actuarial liability, record the PERS net pension liability, and record the PERS deferred outflows associated with contributions.

The total restatement is as follows:

Net Position - July 1, 2014, as originally reported	\$ 62,592,023
Removal of Prepaid PERS unfunded actuarial liability	(70,546,266)
Addition of PERS net pension liability	(70,815,787)
Addition of PERS deferred outflows	14,685,298
Total Restatement	<u>(126,676,755)</u>
Net Positon - July 1, 2014, as restated	<u>\$ (64,084,732)</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

14. NEW ACCOUNTING STANDARDS IMPLEMENTED

For the fiscal year ended June 30, 2015, the District implemented the following new accounting standards:

- **GASB Statement 68**, *Accounting and Reporting for Pension Plans—an amendment of GASB Statement 27*. The statement establishes accounting and financial reporting requirements related to pensions provided by governments. The implementation of GASB Statement 68 resulted in the reduction in the beginning Net Position by (\$126,676,755).
- **GASB Statement 69**, *Government Combinations and Disposals of Operations*. The statement provides guidance on accounting for and reporting government mergers, acquisitions, transfers of operations and disposal. The District had no events that were affected.
- **GASB Statement 71**, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The statement amends transition provisions of GASB Statement 68, establishes accounting and financial reporting standards for recognition of contributions made between the measurement date of the net pension liability, and implementation of GASB Statement 68. See Note 9 for implication breakdowns for GASB Statements 68 and 71.

15. NEW PRONOUNCEMENTS

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

- **GASB Statement 72**, *Fair Value Measurement and Application*. GASB Statement 72 provides guidance on determining, accounting for, and reporting fair value measurements. The statement is effective for fiscal years beginning after June 15, 2015.
- **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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

15. NEW PRONOUNCEMENTS (Continued)

- **Statement 74**, *Financial Reporting for Post-employment 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.

16. SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 28, 2015, the date the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

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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, 2015

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%

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	27,436	23%

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, 2015

PLAN 2 (HEALTH INSURANCE)

The Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Plan Assets	PUC Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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%

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%

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, 2015

<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>
2015	1.39%	\$ (31,454,943)	\$ 111,771,877	-28.1%	103.6%
2014	1.39%	70,815,787	104,240,892	67.9%	92.0%

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

These schedules are 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, 2015

<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>
2015	\$ 14,204,644	\$ 14,204,664	\$ -	\$ 111,771,877	12.7%
2014	14,685,298	14,685,298	-	104,240,892	14.1%

The amounts presented for each fiscal year were actuarially determined at 12/31 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 CHANGE IN FUND
BALANCE-BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual			Variance with Final Budget
			Budget Basis	Adjustments	GAAP Basis	
REVENUES:						
Local sources:						
Property taxes	\$ 57,526,623	\$ 57,526,623	\$ 59,970,921	\$ -	\$ 59,970,921	\$ 2,444,298
Charges for services	541,060	541,060	724,880	-	724,880	183,820
Earnings on investments	273,000	273,000	256,533	-	256,533	(16,467)
Other	641,845	641,845	947,547	-	947,547	305,702
Intermediate sources	2,125,000	4,755,000	5,137,388	-	5,137,388	382,388
State sources	114,000,960	114,000,960	121,330,286	-	121,330,286	7,329,326
Total Revenues	175,108,488	177,738,488	188,367,555	-	188,367,555	10,629,067
EXPENDITURES:						
Current:						
Instruction	108,250,884	107,770,219 (1)	106,208,629	-	106,208,629	1,561,590
Support services	73,104,803	75,876,643 (1)	77,984,425	-	77,984,425	(2,107,782)
Enterprise and community services	407,093	408,418 (1)	398,876	-	398,876	9,542
Facilities acquisition and construction	-	- (1)	103,803	(103,803)	-	(103,803)
Debt service	529,850	867,350 (1)	529,850	-	529,850	337,500
Contingency	2,500,000	2,500,000 (1)	-	-	-	2,500,000
Capital Outlay	-	-	-	103,803	103,803	-
Total Expenditures	184,792,630	187,422,630	185,225,583	-	185,225,583	2,197,047
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(9,684,142)	(9,684,142)	3,141,972	-	3,141,972	12,826,114
OTHER FINANCING SOURCES (USES)						
Sale or compensation for loss of fixed asset	-	-	5,405	-	5,405	5,405
NET CHANGE IN FUND BALANCE	(9,684,142)	(9,684,142)	3,147,377	-	3,147,377	12,831,519
FUND BALANCES, July 1, 2014	16,664,788	16,664,788	14,456,892	-	14,456,892	(2,207,896)
FUND BALANCES, June 30, 2015	\$ 6,980,646	\$ 6,980,646	17,604,269	\$ -	\$ 17,604,269	\$ 10,623,623

Reconciliation to Governmental Fund Balance as required by GASB Statement 54

Ending Fund Balance:

PERS Reserve Fund

1,500,000

(1) Appropriation Level

\$ 19,104,269

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SPECIAL REVENUE FUND

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budget Basis</u>	<u>Actual Adjustments</u>	<u>GAAP Basis</u>	<u>Variance with Final Budget</u>
REVENUES:						
Local sources:						
Construction excise tax	\$ 977,020	\$ 977,020	\$ 998,908	\$ -	\$ 998,908	\$ 21,888
Charges for services	5,567,218	5,567,218	5,546,398	-	5,546,398	(20,820)
Other	801,369	951,919	871,931	-	871,931	(79,988)
Intermediate sources	374,768	475,381	937,350	-	937,350	461,969
State sources	1,606,586	2,223,388	1,896,050 (2)	-	1,896,050	(327,338)
Federal sources	14,502,548	15,088,446	16,174,120	-	16,174,120	1,085,674
Total Revenues	<u>23,829,509</u>	<u>25,283,372</u>	<u>26,424,757</u>	<u>-</u>	<u>26,424,757</u>	<u>1,141,385</u>
EXPENDITURES:						
Current						
Instruction	12,265,725	12,896,292 (1)	10,553,760	-	10,553,760	2,342,532
Support services	7,126,411	7,949,707 (1)	7,931,317	-	7,931,317	18,390
Enterprise and community services	7,854,228	7,854,228 (1)	8,953,281	-	8,953,281	(1,099,053)
Facilities acquisition and construction	2,313,154	2,313,154 (1)	135,411	(135,411)	-	2,177,743
Capital Outlay	-	-	-	135,411	135,411	-
Total Expenditures	<u>29,559,518</u>	<u>31,013,381</u>	<u>27,573,769</u>	<u>-</u>	<u>27,573,769</u>	<u>3,439,612</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	<u>(5,730,009)</u>	<u>(5,730,009)</u>	<u>(1,149,012)</u>	<u>-</u>	<u>(1,149,012)</u>	<u>4,580,997</u>
OTHER FINANCING SOURCES (USES)						
Capital lease proceeds	69,390	69,390	1,430,050	-	1,430,050	1,360,660
Transfers out	(14,166)	(14,166)	-	-	-	14,166
Total Other Financing Sources (Uses)	<u>55,224</u>	<u>55,224</u>	<u>1,430,050</u>	<u>-</u>	<u>1,430,050</u>	<u>1,374,826</u>
NET CHANGE IN FUND BALANCE	<u>(5,674,785)</u>	<u>(5,674,785)</u>	<u>281,038</u>	<u>-</u>	<u>281,038</u>	<u>5,955,823</u>
FUND BALANCES, July 1, 2014	<u>7,064,925</u>	<u>7,064,925</u>	<u>5,088,140</u>	<u>-</u>	<u>5,088,140</u>	<u>(1,976,785)</u>
FUND BALANCES, June 30, 2015	<u>\$ 1,390,140</u>	<u>\$ 1,390,140</u>	<u>\$ 5,369,178</u>	<u>\$ -</u>	<u>\$ 5,369,178</u>	<u>\$ 3,979,038</u>

(1) Appropriation Level

(2) Includes \$83,918 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 CHANGE IN FUND****BALANCE-BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Local sources:				
Property taxes	\$ 29,524,162	\$ 29,524,162	\$ 29,948,347	\$ 424,185
Interest on investments	70,000	70,000	72,672	2,672
Miscellaneous	7,267,757	7,267,757	7,257,454	(10,303)
Total Revenues	<u>36,861,919</u>	<u>36,861,919</u>	<u>37,278,473</u>	<u>416,554</u>
EXPENDITURES:				
Current:				
Support services				
Fiscal services	-	-	20,739	(20,739)
Debt service				
Principal	27,490,000	27,490,000	27,440,000	50,000
Interest	12,366,919	12,366,919	12,403,837	(36,918)
Total Expenditures	<u>39,856,919</u>	<u>39,856,919</u>	<u>39,864,576</u>	<u>(7,657)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(2,995,000)	(2,995,000)	(2,586,103)	408,897
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	57,425,460	57,425,460
Bond premium	-	-	1,071,404	1,071,404
Payment to escrow	-	-	(18,987,961)	(18,987,961)
PERS UAL bond lump sum	-	-	(38,974,396)	(38,974,396)
Issuance costs	-	-	(499,047)	(499,047)
Total Other Financing Sources, (Uses)	<u>-</u>	<u>-</u>	<u>35,460</u>	<u>35,460</u>
NET CHANGE IN FUND BALANCE	(2,995,000)	(2,995,000)	(2,550,643)	444,357
FUND BALANCE, July 1, 2014	<u>2,995,000</u>	<u>2,995,000</u>	<u>3,984,610</u>	<u>989,610</u>
FUND BALANCE, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,433,967</u>	<u>\$ 1,433,967</u>

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

CAPITAL PROJECTS FUND

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

FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual		GAAP Basis	Variance with Final Budget
			Budget Basis	Adjustments		
REVENUES:						
Local sources:						
Interest on investments	\$ 7,500	\$ 7,500	\$ 8,181	\$ -	\$ 8,181	\$ 681
Miscellaneous	-	-	149,091	-	149,091	149,091
Total Revenues	<u>7,500</u>	<u>7,500</u>	<u>157,272</u>	<u>-</u>	<u>157,272</u>	<u>149,772</u>
EXPENDITURES:						
Current:						
Support services	-	-	84,613	-	84,613	(84,613)
Facilities acquisition and construction	3,375,000	3,375,000	2,825,867	(2,825,867)	-	549,133
Debt service						
Principal	1,532,500	1,532,500	352,756	-	352,756	1,179,744
Interest	-	-	57,707	-	57,707	(57,707)
Capital outlay	-	-	-	2,825,867	2,825,867	-
Total Expenditures	<u>4,907,500</u>	<u>4,907,500</u>	<u>3,320,943</u>	<u>-</u>	<u>3,320,943</u>	<u>1,586,557</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(4,900,000)	(4,900,000)	(3,163,671)	-	(3,163,671)	1,736,329
FUND BALANCE, July 1, 2014	<u>4,900,000</u>	<u>4,900,000</u>	<u>6,029,446</u>	<u>-</u>	<u>6,029,446</u>	<u>1,129,446</u>
FUND BALANCE, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,865,775</u>	<u>\$ -</u>	<u>\$ 2,865,775</u>	<u>\$ 2,865,775</u>

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF REVENUES - ALL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Fund</u> <u>100</u>	<u>Fund</u> <u>200</u>
REVENUES:		
Revenue from local sources:		
1110 Ad valorem taxes paid by District	\$ 59,959,178	\$ -
1114 Payments in Lieu of Property Taxes	-	-
1190 Penalties and interest on taxes	11,743	-
1200 Revenue from local governments- Construction Excise Tax	-	998,908
1400 Transportation fees	84,953	-
1500 Earning on investments	256,533	-
1600 Food service	-	1,512,339
1700 Extracurricular activities	376,062	4,034,059
1910 Rentals	227,294	-
1920 Contributions & donations	10,765	908,813
1940 Services provided to other LEA	-	47,328
1960 Recovery of prior year	199,285	(115,077)
1970 Pension bonds	-	-
1980 Fees charged to grants	683,536	-
1990 Miscellaneous	53,961	30,867
1995 Printing Revenue	36,571	-
Total Revenue from local sources	<u>61,899,881</u>	<u>7,417,237</u>
Revenue from intermediate sources:		
2101 County school funds	574,454	-
2103 ESD	2,615,946	-
2180 Strategic investment program - unrestricted	1,946,988	-
2200 Restricted revenue	-	937,350
Total Revenue from Intermediate Sources	<u>5,137,388</u>	<u>937,350</u>
Revenue from state sources:		
3101 State school fund - general support	110,519,172	-
3102 State school fund - school lunch match	-	83,196
3103 Common school fund	2,082,225	-
3104 State managed county timber	1,138,889	-
3105 State school fund - transportation grant	7,590,000	-
3120 Reduced breakfast reimbursement	-	16,813
3200 Other Restricted grants-in-aid	-	986,041
3222 State school fund transportation equipment	-	810,000
Total revenue from state sources	<u>121,330,286</u>	<u>1,896,050</u>
Revenue from federal sources:		
4100 Unrestricted direct from federal government	-	16,636
4500 Restricted revenue from federal government	-	14,908,251
4700 Restricted revenue from federal government through intermediate sources	-	785,968
4900 Revenue for/on behalf of the District	-	463,265
Total revenue from federal sources	<u>-</u>	<u>16,174,120</u>
Revenue from other sources:		
5100 Capital Leases	-	1,430,050
5110 Bond Proceeds	-	-
5300 Sale or compensation for loss of fixed assets	5,405	-
5400 Resources - beginning fund balance	14,456,892	5,088,140
Total revenue from other sources	<u>14,462,297</u>	<u>6,518,190</u>
TOTAL REVENUES	<u><u>\$ 202,829,852</u></u>	<u><u>\$ 32,942,947</u></u>

Fund 300	Fund 400	Fund 600	Fund 700	Total
\$ 29,939,131	\$ -	\$ -	\$ -	\$ 89,898,309
3,519	-	-	-	3,519
5,697	-	-	-	17,440
-	-	-	-	998,908
-	-	-	-	84,953
72,672	8,181	-	-	337,386
-	-	-	-	1,512,339
-	-	-	-	4,410,121
-	-	-	-	227,294
-	-	-	-	919,578
-	-	-	-	47,328
-	127,591	-	-	211,799
7,257,454	-	-	-	7,257,454
-	-	-	-	683,536
-	21,500	-	-	106,328
-	-	-	-	36,571
<u>37,278,473</u>	<u>157,272</u>	<u>-</u>	<u>-</u>	<u>106,752,863</u>
-	-	-	-	574,454
-	-	-	-	2,615,946
-	-	-	-	1,946,988
-	-	-	-	937,350
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,074,738</u>
-	-	-	-	110,519,172
-	-	-	-	83,196
-	-	-	-	2,082,225
-	-	-	-	1,138,889
-	-	-	-	7,590,000
-	-	-	-	16,813
-	-	-	-	986,041
-	-	-	-	810,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,226,336</u>
-	-	-	-	16,636
-	-	-	-	14,908,251
-	-	-	-	785,968
-	-	-	-	463,265
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,174,120</u>
-	-	-	-	1,430,050
35,460	-	-	-	35,460
-	-	-	-	5,405
3,984,610	6,029,446	1,500,000	-	31,059,088
<u>4,020,070</u>	<u>6,029,446</u>	<u>1,500,000</u>	<u>-</u>	<u>32,530,003</u>
<u>\$ 41,298,543</u>	<u>\$ 6,186,718</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 284,758,060</u>

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SCHEDULE OF GENERAL FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2015

	Object 100	Object 200	Object 300
EXPENDITURES:			
Instruction:			
1111 Primary programs	\$ 25,111,545	\$ 12,009,439	\$ 564,676
1112 Intermediate programs	-	-	-
1113 Elementary extracurricular	103,321	28,685	22,803
1121 Middle School programs	6,890,401	3,253,052	51,308
1122 Middle School extracurricular	65,722	18,894	-
1123 Middle School Saturday school	5,026	1,345	-
1131 High School programs	13,914,498	6,566,096	167,120
1132 High School extracurricular	1,350,202	467,634	260,674
1133 High School Saturday school	7,964	2,290	-
1210 Talented and Gifted	295,448	137,781	8,913
1220 Students with disabilities-restricted	6,398,228	3,708,260	86,422
1230 Physically Disabled	172	43	-
1250 Students with disabilities - less restricted	7,788,504	4,354,286	136,507
1272 Title 1	16,238	6,098	196
1280 Alternative Education	973,395	454,679	1,449,866
1291 English Second Language Programs	4,508,891	2,503,951	24,649
1292 Teen Parent Programs	220,335	115,362	701
1294 Youth Corrections Education	50,861	24,154	89
1430 Secondary summer school	-	2,635	-
Total Instruction	67,700,750	33,654,684	2,773,924
Support services:			
2110 Attendance and social work services	1,215,082	734,295	37,632
2120 Guidance Services	3,347,630	1,542,012	166,471
2130 Health Services	730,834	389,751	20,672
2140 Psychological services	395,482	188,746	90,576
2150 Speech pathology services	1,744,247	807,889	7,459
2160 Other student treatment services	-	-	91,348
2190 Service direction, student special education	42,359	9,891	108,338
2210 Improvement of Instructional services	244,359	64,003	676,713
2220 Educational media services	647,448	529,399	2,741
2230 Assessment and testing	101,495	22,649	105,155
2240 Instructional staff development	449,193	118,568	270,339
2310 Board of Education services	50,686	14,166	126,189
2320 Executive administration services	495,791	256,992	105,270
2410 Office of the principal services	8,135,083	4,314,836	181,652
2490 Other support services school administration	942,489	480,338	131,630
2510 Direction of business support services	501,286	195,092	133,440
2520 Fiscal services	443,661	279,915	259,726
2540 Operation and maintenance of plant	4,713,187	2,756,063	9,336,009
2550 Student transportation services	7,386,613	4,764,452	171,671
2570 Internal services	192,258	103,531	(245,058)
2630 Information/production services	351,872	168,509	103,287
2640 Staff services	495,204	758,401	167,586
2660 Technology services	1,717,275	794,826	991,455
2670 Records management services	-	-	15,272
2690 Other support services	74,973	41,254	-
2700 Early retirement program	46,600	2,857	-
Total support services	34,465,107	19,338,435	13,055,573
Enterprise Services			
3300 Other community services	228,487	128,209	36,863
Total community services	228,487	128,209	36,863
Capital Projects			
4000 Building acquisition, construction & improvements	-	-	103,803
Total capital projects	-	-	103,803
Debt service			
5110 Long-term debt service	-	-	-
Total debt service	-	-	-
TOTAL EXPENDITURES	\$ 102,394,344	\$ 53,121,328	\$ 15,970,163

Object 400	Object 500	Object 600	Total
\$ 722,369	\$ -	\$ 155	\$ 38,408,184
942	-	-	942
36,447	-	-	191,256
108,077	-	1,635	10,304,473
9,550	-	-	94,166
-	-	-	6,371
362,373	-	5,802	21,015,889
79,841	-	77,902	2,236,253
-	-	-	10,254
5,682	-	-	447,824
194,325	-	36,462	10,423,697
-	-	-	215
95,593	-	985	12,375,875
-	-	-	22,532
213,191	-	74,592	3,165,723
51,865	-	-	7,089,356
846	-	-	337,242
637	-	-	75,742
-	-	-	2,635
<u>1,881,738</u>	<u>-</u>	<u>197,533</u>	<u>106,208,629</u>
54,541	-	1,255	2,042,805
64,333	-	5,786	5,126,232
15,909	-	941	1,158,107
10,942	-	-	685,746
19,880	-	333	2,579,808
42	-	-	91,390
80,504	-	1,003	242,095
568,358	-	1,015	1,554,448
79,886	-	148	1,259,622
85,623	-	-	314,922
50,090	-	2,002	890,192
6,557	-	12,220	209,818
95,207	-	4,378	957,638
392,499	-	13,667	13,037,737
104,360	-	2,364	1,661,181
29,910	-	3,625	863,353
10,596	-	116,813	1,110,711
1,596,589	2,397,597	1,032,846	21,832,291
1,382,712	-	98,000	13,803,448
152,965	-	-	203,696
39,077	-	120	662,865
22,745	-	350	1,444,286
2,261,992	9,014	296,516	6,071,078
-	-	-	15,272
-	-	-	116,227
-	-	-	49,457
<u>7,125,317</u>	<u>2,406,611</u>	<u>1,593,382</u>	<u>77,984,425</u>
<u>3,617</u>	<u>-</u>	<u>1,700</u>	<u>398,876</u>
<u>3,617</u>	<u>-</u>	<u>1,700</u>	<u>398,876</u>
-	-	-	103,803
-	-	-	103,803
-	-	529,850	529,850
-	-	529,850	529,850
<u>\$ 9,010,672</u>	<u>\$ 2,406,611</u>	<u>\$ 2,322,465</u>	<u>\$ 185,225,583</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>
EXPENDITURES:				
Instruction:				
1111 Primary programs	\$ 65,605	\$ 17,602	\$ 39,822	\$ 217,986
1113 Elementary extracurricular	6,624	1,639	64	288,035
1121 Middle school programs	21	6	5,540	9,839
1122 Middle school extracurricular	-	-	-	205,364
1131 High school programs	80,805	30,186	38,740	159,052
1132 High school extracurricular	858	70	12,256	3,339,043
1221 Students with disabilities - restrictive programs	1,030,516	487,762	10,656	43,339
1250 Students with disabilities - less restrictive programs	161,926	134,878	-	398
1272 Title I	1,725,657	894,079	135,565	130,392
1280 Alternative education	221,494	126,549	111,637	22,613
1291 English Second Language Programs	170	47	-	13,350
1292 Teen Parent Programs	51,966	39,461	304	926
1293 Migrant Education	107,807	35,584	62,334	46,909
1299 Other Programs	3,569	975	4,702	7,390
1400 Summer school programs	145,741	39,023	1,129	866
Total instruction	<u>3,602,759</u>	<u>1,807,861</u>	<u>422,749</u>	<u>4,485,502</u>
Support services:				
2110 Attendance and social work services	215,001	84,319	157,119	1,817
2120 Guidance services	2,331	700	14,010	76
2130 Health services	8,993	2,015	1,840	10,078
2140 Psychological services	122,874	48,187	-	-
2150 Speech pathology and audiology services	51,480	12,587	-	-
2160 Student treatment center	193,769	97,768	-	-
2190 Service direction, student special education	372,040	164,012	523	-
2210 Improvement of instruction services	119,645	58,499	63	4,430
2230 Assessment and Testing	54,670	14,652	-	-
2240 Instructional staff development	1,141,414	390,123	714,987	61,857
2410 Office of the principal services	2,702	612	11,730	65,298
2490 Other support services school administration	31,805	12,391	777	1,578
2540 Operation and maintenance of plant	-	-	2,519	1,300
2550 Student transportation services	-	-	113,898	-
2610 Direction of central support services	460,085	186,255	1,229	1,361
2620 Planning, research and development services	7,641	1,227	177	56
2630 Information/production services	-	-	7,711	10,882
2660 Technology services	43,348	28,870	1,234	22,093
Total support services	<u>2,827,798</u>	<u>1,102,217</u>	<u>1,027,817</u>	<u>180,826</u>
Enterprise and community services:				
3100 Food services	2,341,336	1,415,526	206,080	4,348,705
3300 Community services	47,666	23,084	168,028	23,041
Total enterprise and community services	<u>2,389,002</u>	<u>1,438,610</u>	<u>374,108</u>	<u>4,371,746</u>
Capital Projects				
4150 Building acquisition, construction & improvements	-	-	18,000	-
Total capital projects	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 8,819,559</u>	<u>\$ 4,348,688</u>	<u>\$ 1,842,674</u>	<u>\$ 9,038,074</u>

	500	600	Total
\$	-	\$ 325	\$ 341,340
	-	-	296,362
	-	-	15,406
	-	-	205,364
	-	15,079	323,862
	-	5,637	3,357,864
	-	22,010	1,594,283
	-	-	297,202
	-	151,802	3,037,495
	-	13,691	495,984
	-	-	13,566
	-	47	92,703
	-	17,164	269,799
	-	-	16,636
	-	9,134	195,893
	-	<u>234,889</u>	<u>10,553,760</u>
	-	2,244	460,500
	-	-	17,117
	-	-	22,926
	-	-	171,061
	-	-	64,067
	-	-	291,537
	-	108,344	644,919
	-	1,571	184,208
	-	-	69,322
	-	60,393	2,368,774
	-	50	80,392
	-	-	46,551
	-	1,357	5,176
	1,524,293	1,082,145	2,720,336
	-	-	648,930
	-	-	9,101
	12,262	-	30,855
	-	-	95,545
	<u>1,536,555</u>	<u>1,256,104</u>	<u>7,931,317</u>
	23,840	346,480	8,681,967
	-	9,495	271,314
	<u>23,840</u>	<u>355,975</u>	<u>8,953,281</u>
	117,411	-	135,411
	117,411	-	135,411
	<u>\$ 1,677,806</u>	<u>\$ 1,846,968</u>	<u>\$ 27,573,769</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF DEBT SERVICE FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2015

	<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>
EXPENDITURES:							
Support Services							
2520 Fiscal Service	\$ -	\$ -	\$ 20,739	\$ -	\$ -	\$ -	\$ 20,739
Debt Services							
5100 Debt service	-	-	-	-	-	39,843,837	39,843,837
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,843,837</u>	<u>\$ 39,864,576</u>

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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2015

	Object 100	Object 200	Object 300	Object 400
EXPENDITURES:				
Support services				
2540 Facilities maintenance	\$ -	\$ -	\$ -	\$ 24,595
2660 Technology	-	4,639	33,192	22,187
Total support services	-	4,639	33,192	46,782
Facilities acquisition & construction				
4110 Service area direction	253,264	106,359	3,082	-
4120 Site acquisition & development systems	-	-	60,000	-
4150 Building acquisition, construction, & improvement services	-	-	1,000	-
Total facilities acquisition & construction	253,264	106,359	64,082	-
Debt Services				
5100 Long-term debt service	-	-	-	-
TOTAL EXPENDITURES	\$ 253,264	\$ 110,998	\$ 97,274	\$ 46,782

<u>Object 500</u>	<u>Object 600</u>	<u>Total</u>
\$ -	\$ -	\$ 24,595
-	-	60,018
-	-	84,613
-	-	362,705
-	-	60,000
<u>2,402,162</u>	-	<u>2,403,162</u>
<u>2,402,162</u>	-	<u>2,825,867</u>
-	410,463	410,463
<u><u>\$ 2,402,162</u></u>	<u><u>\$ 410,463</u></u>	<u><u>\$ 3,320,943</u></u>

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, 2014-15

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	\$ 3,447,956
Function 2550	\$ 21,057

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

Exclude these functions:

Exclude these functions:

\$	-
----	---

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

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

FOR THE YEAR ENDED JUNE 30, 2015

<u>GENERAL FUND</u>	Tax Year	Uncollected July 1, 2014	Levy as Extended by Assessor	Discounts Allowed
Current	2014-15	\$ -	\$ 61,541,044	\$ (1,627,983)
Prior	2013-14	1,151,755		(2,140)
	2012-13	560,117		(733)
	2011-12	418,250		(642)
	2010-11	287,188		(558)
	2009-11	200,429		5
	2008-09 & Prior	37,830		2
Total general fund		\$ 2,655,569	\$ 61,541,044	\$ (1,632,049)
<u>DEBT SERVICE FUND</u>				
Current	2014-15		\$ 30,731,575	\$ (812,961)
Prior	2013-14	575,493		(1,068)
	2012-13	291,678		(382)
	2011-12	213,653		(328)
	2010-11	153,230		(299)
	2009-10	104,662		2
	2008-09 & Prior	21,768		1
Total debt service fund		1,360,484	30,731,575	(815,035)
TOTAL ALL FUNDS		\$ 4,016,053	\$ 92,272,619	\$ (2,447,084)

The accompanying notes are an integral part of this statement

Interest	Adjustments	Collections	Uncollected June 30, 2015
\$ 15,256	\$ (60,012)	\$ (58,830,593)	\$ 1,037,712
34,301	(15,769)	(640,285)	527,862
25,567	(31,934)	(177,098)	375,919
40,483	(56,836)	(168,477)	232,778
18,903	(58,276)	(55,891)	191,366
5,720	(4,145)	(17,351)	184,658
9,165	(944)	(21,035)	25,018
<u>\$ 149,395</u>	<u>\$ (227,916)</u>	<u>\$ (59,910,730)</u>	<u>\$ 2,575,313</u>
\$ 7,618	\$ (29,968)	\$ (29,378,065)	\$ 518,199
17,139	(7,879)	(319,930)	263,755
13,314	(16,630)	(92,222)	195,758
20,679	(29,033)	(86,062)	118,909
10,086	(31,093)	(29,821)	102,103
2,987	(2,165)	(9,060)	96,426
4,139	(4,785)	(9,923)	11,200
<u>75,962</u>	<u>(121,553)</u>	<u>(29,925,083)</u>	<u>1,306,350</u>
<u>\$ 225,357</u>	<u>\$ (349,469)</u>	<u>\$ (89,835,813)</u>	<u>\$ 3,881,663</u>

RECONCILIATION TO REVENUE:

Cash collections by county treasurer above	\$ 89,835,813
Yamhill County cash collections	13,491
Multnomah County cash collections	3,886
Accrued prior year	(321,180)
Accrued current year	359,251
Other taxes	28,007
Property tax revenue	<u>\$ 89,919,268</u>

Reported in:

General Fund	59,970,921
Debt Service Fund	29,948,347
	<u>\$ 89,919,268</u>

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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.

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Financial Trends	96
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	104
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
Debt Capacity	112
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.	
Demographic and Economic Information	118
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	120
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources:

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

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

NET POSITION BY CATEGORY
Last Ten Fiscal Years
2006 Through 2015
(accrual basis of accounting)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities:				
Net Investment in capital assets	\$ 78,831,288	\$ 64,738,162	\$ 52,287,910	\$ 31,538,602
Restricted for:				
Special programs	5,369,178	5,088,140	5,507,603	6,837,003
Debt service	7,410,609	4,854,595	3,581,143	3,358,031
Capital projects	-	-	8,413,441	13,463,581
Unrestricted	<u>(94,426,208)</u>	<u>(12,088,874)</u>	<u>(22,377,708)</u>	<u>(7,822,244)</u>
Total primary government net position	<u>\$ (2,815,133)</u>	<u>\$ 62,592,023</u>	<u>\$ 47,412,389</u>	<u>\$ 47,374,973</u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 43,279,660	\$ 44,713,254	\$ 36,339,608	\$ 48,427,208	\$ (97,336,636)	\$ 52,183,443
2,285,638	-	-	-	-	-
3,306,895	3,654,721	5,880,421	10,827,545	6,573,042	6,745,522
20,296,746	23,710,495	39,421,641	101,584,454	177,928,489	8,357,714
(19,579,279)	(19,016,357)	(31,880,776)	(103,343,000)	24,783,019	23,006,941
<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>	<u>\$ 90,293,620</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CHANGES IN NET POSITION**Last Ten Fiscal Years****2006 Through 2015****(accrual basis of accounting)**

	2015	2014	2013	2012
Governmental Activities:				
Expenses				
Instruction	\$ 90,177,101	\$ 113,612,720	\$ 112,947,889	\$ 111,973,461
Support services	71,099,128	79,207,615	74,174,524	70,449,859
Enterprise & community services	8,308,170	8,129,203	8,540,335	8,277,973
Facilities acquisition & construction	-	-	-	-
Interest on long-term debt	13,029,323	13,034,172	14,610,731	15,656,739
Total expenses	182,613,722	213,983,710	210,273,479	206,358,032
PROGRAM REVENUES:				
Charges for services:				
Instruction	4,531,645	4,842,097	5,119,993	5,330,102
Support services	159,545	609,956	750,681	210,960
Enterprise & community services	1,512,339	1,719,122	1,672,468	1,720,616
Operating grants & contributions:				
Instruction	10,258,791	5,981,567	8,761,256	6,435,939
Support services	4,144,617	6,392,540	8,174,761	8,666,716
Enterprise & community services	6,522,598	5,522,009	5,795,967	5,788,841
Facilities	-	637,036	410,963	-
Capital grants & contributions:				
Support services	-	-	-	-
Enterprise & community services	-	384,047	450,972	563,818
Total program revenues	27,129,535	26,088,374	31,137,061	28,716,992
Net (Expenses)	(155,484,187)	(187,895,336)	(179,136,418)	(177,641,040)
General Revenues				
Taxes:				
Property taxes, levied for general purposes	59,703,224	56,664,969	53,423,125	54,224,135
Property taxes, levied for debt service	29,812,298	28,493,052	27,812,402	27,696,616
State School Fund - General Support	121,330,286	113,662,969	96,246,256	100,256,023
Unrestricted intermediate sources	5,137,388	2,546,625	871,920	1,000,000
Earnings on investments	337,386	276,870	283,150	261,912
Gain on sale of capital assets	-	-	904	-
Miscellaneous	433,204	1,430,485	536,077	794,235
Total general revenues	216,753,786	203,074,970	179,173,834	184,232,921
CHANGE IN NET POSITION	\$ 61,269,599	\$ 15,179,634	\$ 37,416	\$ 6,591,881

2011	2010	2009	2008	2007	2006
\$ 115,345,118	\$ 113,083,611	\$ 122,478,716	\$ 110,225,767	\$ 93,429,518	\$ 90,626,555
75,113,377	72,721,956	86,269,378	77,354,276	63,574,639	57,239,269
8,109,778	8,779,813	9,457,828	9,169,942	7,378,732	9,903,601
-	-	-	65,870,014	832,064	-
16,560,348	17,242,277	17,905,207	22,257,859	11,593,839	11,798,269
<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>	<u>169,567,694</u>
4,409,514	4,256,047	4,021,721	6,390,034	1,070,606	2,126,428
227,538	273,337	168,919	178,773	232,335	1,858,211
1,739,507	1,959,373	2,041,711	2,338,045	2,355,750	2,177,939
17,996,564	12,519,540	12,342,037	8,577,163	8,795,634	4,241,207
6,136,063	1,131,494	2,379,115	3,516,952	3,036,287	3,725,767
6,490,380	6,469,855	5,267,264	5,549,384	4,334,791	4,298,360
-	-	-	-	-	-
-	-	-	109,820	527,800	404,634
96,590	80,702	71,062	95,570	-	-
<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>	<u>18,832,546</u>
(178,032,465)	(185,137,309)	(209,819,300)	(258,122,117)	(156,455,589)	(150,735,148)
51,832,676	50,085,826	48,193,154	46,040,548	43,741,370	42,262,685
27,630,949	26,101,682	21,845,630	29,560,363	14,668,594	14,812,597
91,150,843	101,051,718	101,756,724	104,687,241	86,828,447	83,972,807
-	-	-	-	-	-
387,598	-	-	-	-	-
950,007	785,940	3,312,204	9,340,104	8,194,851	2,653,853
2,086,912	11,437,792	12,067,166	7,597,249	24,676,621	9,763,319
<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>153,465,261</u>
\$ (3,993,480)	\$ 4,325,649	\$ (22,644,422)	\$ (60,896,612)	\$ 21,654,294	\$ 2,730,113

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

2006 Through 2015

(modified accrual basis of accounting)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
FUND BALANCES:				
Nonspendable, reported in:				
General Fund	\$ 341,786	\$ 344,243	\$ 312,262	\$ 688,343
Special Revenue Funds	227,945	534,526	189,829	227,922
Capital Projects Fund	-	34,205	-	-
Restricted, reported in:				
General fund	-	-	-	-
Special revenue funds	5,141,233	4,553,614	5,507,603	6,837,003
Debt service fund	1,433,967	3,984,610	3,581,143	3,358,031
Capital projects funds	2,865,775	5,995,241	8,413,441	13,463,581
Assigned, reported in:				
Special revenue funds	-	-	-	-
PERS Reserve	1,500,000	1,500,000	1,500,000	3,000,000
Unassigned, reported in:				
General fund	17,262,483	14,112,648	8,788,286	8,948,777
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 28,773,189</u>	<u>\$ 31,059,088</u>	<u>\$ 28,292,564</u>	<u>\$ 36,523,657</u>

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

2011	2010	2009	2008	2007	2006
\$ 300,725	\$ -	\$ -	\$ -	\$ -	\$ -
572,074	-	-	-	-	-
-	-	-	-	-	-
-	364,700	383,482	666,715	219,748	245,271
2,285,638	499,389	235,323	218,447	170,099	182,812
3,306,895	3,654,721	5,880,421	10,827,545	6,573,042	7,874,004
20,296,746	23,710,495	39,421,641	101,584,454	177,928,489	8,357,714
2,582,631	-	-	-	-	-
4,500,000	-	-	-	-	-
10,654,867	17,551,703	19,658,096	22,973,345	19,668,582	20,187,310
(358,476)	2,519,865	3,597,953	3,435,749	3,672,104	2,098,654
(368,925)	-	-	-	-	-
<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>	<u>\$ 38,945,765</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**Last Ten Fiscal Years****2006 Through 2015**

(modified accrual basis of accounting)

	2015	2014	2013	2012
Revenues				
Property taxes	\$ 89,919,268	\$ 84,573,962	\$ 81,824,121	\$ 80,948,030
Charges for services	6,271,278	6,710,072	8,926,225	9,257,214
Earnings on investments	337,386	276,870	283,150	261,912
Other	10,224,931	10,502,639	7,461,433	6,524,021
Intermediate sources	6,074,738	2,975,038	1,334,511	888,300
State School support	123,226,336	116,117,246	98,162,287	101,918,660
Federal	16,174,120	14,307,594	19,461,252	18,400,804
Other sources	-	-	-	-
Total revenues	<u>252,228,057</u>	<u>235,463,421</u>	<u>217,452,979</u>	<u>218,198,941</u>
EXPENDITURES:				
Current operating				
Instruction	116,762,389	110,905,035	107,502,434	107,619,019
Support Services	86,021,094	77,319,892	70,598,413	67,710,192
Enterprise & community services	9,352,157	7,935,463	8,128,587	7,956,058
Facilities acquisition & construction	-	2,639,938	495,737	1,860,015
Capital outlay	3,065,081	1,511,342	4,020,609	6,206,632
Debt service				
Principal	28,212,756	22,300,000	20,225,000	18,365,000
Other	-	68,411	85,220	1,050
Interest	12,571,394	13,088,605	14,725,769	15,731,211
Total expenditures	<u>255,984,871</u>	<u>235,768,686</u>	<u>225,781,769</u>	<u>225,449,177</u>
Excess (deficiency) of revenues over expenditures	(3,756,814)	(305,265)	(8,328,790)	(7,250,236)
Other financing sources (uses)				
Bond proceeds	-	-	96,794	-
Issuance of debt	58,496,864	1,500,000	-	-
Bond payments	(58,461,404)	-	-	-
Sale or compensation for loss of fixed asset	5,405	17,730	904	1,718
Capital Leases	1,430,050	1,554,058	-	-
Operating transfer in	-	1,200,000	3,597,417	-
Operating transfers out	-	(1,200,000)	(3,597,417)	-
Total other financing sources (uses)	<u>1,470,915</u>	<u>3,071,788</u>	<u>97,698</u>	<u>1,718</u>
NET CHANGE IN FUND BALANCES	<u>\$ (2,285,899)</u>	<u>\$ 2,766,523</u>	<u>\$ (8,231,092)</u>	<u>\$ (7,248,518)</u>
Expenditures for capital assets	\$ 6,606,532	\$ 5,833,691	\$ 4,084,550	\$ 8,043,533
Debt services as a percentage of noncapital expenditures	16.4%	15.4%	15.8%	15.7%

	2011	2010	2009	2008	2007	2006
\$	79,663,898	\$ 75,902,580	\$ 69,425,118	\$ 74,970,634	\$ 58,274,830	\$ 57,183,332
	8,161,987	8,197,218	8,265,066	7,009,678	3,765,885	4,778,380
	387,598	785,940	3,229,021	9,340,104	8,194,851	2,653,850
	7,495,766	6,977,351	6,944,129	6,726,267	1,375,754	1,605,890
	1,378,287	2,821,079	1,742,355	3,286,708	3,812,017	4,296,352
	92,378,467	101,051,718	103,156,724	104,687,241	86,835,628	83,968,676
	27,566,990	20,120,889	20,087,018	17,327,027	15,821,511	13,690,511
	-	-	-	-	186,703,215	4,560,607
	<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>	<u>172,737,598</u>
	106,975,447	106,348,362	103,425,714	99,258,155	90,028,311	87,151,646
	69,662,999	68,171,937	72,746,276	69,657,422	61,260,272	55,044,467
	7,521,316	8,256,888	8,046,600	8,257,520	7,110,119	6,294,588
	2,378,353	-	-	-	-	1,680,430
	6,905,741	19,620,414	66,650,915	83,737,559	15,556,452	3,025,190
	17,940,000	15,985,000	14,530,000	9,370,000	10,020,821	9,168,251
	400	30,931	30,931	30,931	38,196	-
	16,554,371	17,306,459	17,951,944	22,040,454	11,483,228	12,011,614
	<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>	<u>174,376,186</u>
	(10,905,634)	(19,863,216)	(70,532,949)	(69,004,382)	169,286,292	(1,638,588)
	-	-	-	39,068	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,804,620	11,602	3,610	94,242	-	-
	2,372,318	-	-	-	-	-
	700,000	-	-	-	-	-
	-	-	-	-	-	-
	<u>4,876,938</u>	<u>11,602</u>	<u>3,610</u>	<u>133,310</u>	<u>-</u>	<u>-</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>	<u>(1,638,588)</u>
\$	3,132,769	\$ 23,510,115	\$ 46,754,281	\$ 17,898,476	\$ 14,724,388	\$ 3,025,190
	15.3%	15.7%	13.7%	11.5%	11.9%	12.4%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

ASSESSED VALUE OF TAXABLE PROPERTY WITHIN SCHOOL DISTRICT BOUNDARIES

Last Ten Fiscal Years

2006 Through 2015

Market Value

Fiscal Year Ending June 30	Real Property	Manufactured Property	Personal Property	Public Utility	Total Market Value
2015	\$ 26,744,620,035	\$ 29,908,270	\$ 879,165,146	\$ 547,626,777	\$ 28,201,320,228
2014	23,214,847,060	26,670,080	785,988,627	515,570,803	24,543,076,570
2013	17,798,748,230	27,705,330	681,541,930	474,366,901	18,982,362,391
2012	18,092,087,230	29,539,350	644,541,082	468,076,587	19,234,244,249
2011	18,830,265,680	31,525,110	631,207,499	446,710,065	19,939,708,354
2010	19,055,259,480	31,497,060	651,404,471	416,135,377	20,154,296,388
2009	19,574,092,456	32,349,370	662,182,294	339,169,003	20,607,793,123
2008	18,875,429,572	35,325,440	597,352,127	344,285,720	19,852,392,859
2007	17,598,385,145	42,234,530	569,322,711	336,270,664	18,546,213,050
2006	15,692,590,790	44,565,453	608,210,530	309,515,561	16,654,882,334

Note: Represents Washington County only

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

Assessed Value (not including exempt property)

Total Taxable Assessed Value	Total Direct Tax Rate	Amount tax rate will raise	Less: Reduction and Adjustments	Total Taxes Imposed (Not Levy)
\$ 12,594,359,207	\$ 5.94	\$ 74,376,721	\$ (1,254,961)	\$ 73,121,760
11,981,668,967	6.28	74,985,230	(1,487,002)	73,498,228
11,456,148,320	6.30	72,086,863	(1,614,038)	70,472,825
11,371,005,915	6.29	71,457,529	(1,341,667)	70,115,862
10,912,092,039	6.40	69,803,033	(1,103,124)	68,699,909
10,465,349,538	6.33	66,239,809	(930,213)	65,309,596
10,098,797,357	6.29	63,521,435	(872,020)	62,649,415
9,589,976,937	6.20	59,457,857	(849,826)	58,608,031
9,156,346,239	6.52	59,699,377	58,996	59,758,373
8,842,271,844	6.59	58,270,571	400,466	58,671,037

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

2006 Through 2015

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

DIRECT:	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Hillsboro School District	\$ 5.9389	\$ 6.2778	\$ 6.3034	\$ 6.2933	\$ 6.4001
Hillsboro School District - after 10/6/01	1.4811	1.1228	1.1943	1.1730	1.1845
Prior School District Bonds:					
Hillsboro Elementary	-	-	-	-	-
Reedville	-	-	-	-	-
Farmington View	-	-	-	-	-
North Plains	-	-	-	-	-
OVERLAPPING GOVERNMENTS:					
Washington County	2.2484	2.3775	2.3801	2.3844	2.3898
Washington County - after 10/6/01	0.5900	0.5900	0.5900	0.5900	0.5900
Enhanced Sheriff Patrol	1.3165	1.3165	1.2285	1.2477	1.2660
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 Hillsboro	8.0663	7.3330	5.1331	5.3865	5.3865
City of Hillsboro - after 10/6/01	3.7840	3.4400	2.4080	-	-
City of North Plains	2.1712	2.1712	2.1712	2.1712	2.1712
City of Cornelius	3.9836	3.9836	3.9836	3.9836	3.9836
Cornelius RFPD	1.2558	1.2780	1.2971	1.3097	1.3354
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	0.3659	0.3809	0.3893	0.4050	0.3576
Gaston RFPD	1.7621	1.7621	1.7621	1.7621	1.7621
Banks RFPD	2.1499	2.0051	2.0332	2.0505	2.1007
Forest Grove RFPD	1.2766	1.3744	1.4012	1.2766	1.4262
Metro Service District	0.1852	0.1900	0.2621	0.2277	0.2499
Metro Service District after 10/6/01	0.2733	0.2771	0.1422	0.0877	0.1589
Tri-Met	-	-	-	0.0583	0.0878
Tualatin Hills Park & Recreation	1.4146	1.4216	1.4224	1.7388	1.7428
Tualatin Hills Park & Recreation, after 10/6/01	0.3021	0.3066	0.3074	-	-
Wolf Creek Water	-	-	-	-	-
Metro Zoo	-	-	-	-	-
Northwest Regional ESD	0.1538	0.1538	0.1538	0.1538	0.1538
Portland Community College	0.4185	0.4582	0.4853	0.4460	0.4628
Portland Community College - after 10/6/01	0.3037	0.2760	0.1798	0.1521	0.1731
Rainbow Lanes Road	0.4888	0.4888	0.4888	0.4888	0.4888

Source: The Washington County Department of Assessment and Taxation.

	2010	2009	2008	2007	2006
\$	6.3322	\$ 6.2936	\$ 6.1994	\$ 6.5240	\$ 6.5900
	1.1278	0.8080	1.8587	-	-
	-	0.0802	0.0829	0.0793	0.0793
	0.4102	0.2617	0.2493	0.2268	0.2556
	-	-	-	-	0.3408
	-	-	-	0.2706	0.0253
	2.3940	2.3940	2.4431	2.4494	2.8390
	0.5900	0.5900	0.5900	-	-
	1.2823	1.3099	1.0920	1.1120	1.1300
	0.2456	0.2456	0.2456	0.2456	0.2456
	0.0701	0.0701	0.0701	0.0701	0.0701
	5.3865	5.3865	4.7665	4.7665	4.7665
	-	-	-	-	-
	2.1712	2.1712	2.1712	2.1712	2.6385
	3.9836	4.0050	4.0723	4.1698	3.9836
	1.3300	1.4388	1.4702	1.4820	1.5307
	1.1219	1.1219	1.1219	1.1219	1.1219
	0.5700	0.5700	0.5700	-	-
	1.5252	1.5446	1.5560	1.8194	1.7752
	0.3695	0.2988	0.3132	-	-
	1.5121	1.5121	1.5121	1.5121	1.5121
	2.1324	2.1671	2.0321	2.0220	1.7031
	1.4339	1.4375	1.4409	1.4390	1.2766
	0.2504	0.3018	0.2683	0.2782	-
	0.1864	0.0966	0.1609	-	-
	0.0863	0.0803	0.0856	0.0973	0.1191
	1.7343	1.4291	1.4341	1.4425	1.4505
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	0.0966	0.0966
	0.1538	0.1538	0.1538	0.1538	0.1538
	0.4579	0.5031	0.5051	0.4889	0.2828
	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 (2015) and Nine Years Prior (2006)

		2015					
Taxpayer	Name	Measure 50		Percentage of HSD AV	Percentage of Washington County AV		Rank
		Assessed Value	Taxes Levied				
1	Intel	\$ 1,268,747,218	\$ 20,966,671	10.07%	2.37%	1	
2	Nike, Inc.	588,016,502	9,786,400	4.67%	1.10%		
3	Portland General Electric	438,565,853	6,944,441	3.48%	0.82%	3	
4	Comcast Corporation	305,716,500	5,399,100	2.43%	0.57%		
5	Pacific Realty Associates	323,845,870	5,281,160	2.57%	0.61%	6	
6	Northwest Natural Gas Co.	313,709,270	4,840,127	2.49%	0.59%	4	
7	Frontier Communications	242,410,000	4,009,372	1.92%	0.45%		
8	Genentech, Inc.	156,283,590	2,605,822	1.24%	0.29%		
9	Verizon Communications	147,694,000	2,443,372	1.17%	0.28%	5	
10	PPR Washington Square LLC	138,610,228	2,370,746	1.10%	0.26%		
	Integrated Device Technology					2	
	Triquint Semiconductor, Inc.					7	
	Applied Material, Inc.					8	
	Credence Systems Corp.					9	
	Synopsis, Inc.					10	
	All other Washington County	<u>49,592,262,919</u>	<u>851,299,553</u>				
Total Washington County		<u>\$ 53,515,861,950</u>	<u>\$ 915,946,764</u>				
Hillsboro School District		<u>\$ 12,596,591,377</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.

2006

<u>Taxable Assessed Value</u>	<u>Percentage of HSD AV</u>	<u>Percentage of Washington County AV</u>
\$ 1,049,531,038	11.87%	2.79%
99,088,540	1.12%	0.26%
63,001,640	0.71%	0.17%
84,340,200	0.95%	0.22%
72,662,900	0.82%	0.19%
100,563,290	1.14%	0.27%
45,277,470	0.51%	0.12%
41,665,361	0.47%	0.11%
40,003,950	0.45%	0.11%
36,090,981	0.41%	0.10%
<u>35,998,627,870</u>		
<u>\$ 37,630,853,240</u>		
<u>\$ 8,842,271,844</u>		

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

2006 Through 2015

Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year	<u>Collected within the Fiscal Year of Levy</u>		Collection in Subsequent Years	<u>Tax Collections to Date</u>	
		Fiscal Year of Levy			Percentage of	
		Amount	Percent of Levy		Amount	Levy
2015	\$ 92,272,618	\$ 88,208,658	95.60%	\$ -	\$ 88,208,658	95.60%
2014	87,085,501	82,849,198	95.14%	1,181,657	84,030,855	96.49%
2013	84,325,790	80,516,253	95.48%	1,484,514	82,000,767	97.24%
2012	83,738,165	79,664,870	95.14%	3,139,856	82,804,726	98.89%
2011	81,827,938	77,466,427	94.67%	2,906,071	80,372,498	98.22%
2010	78,263,542	73,894,785	94.42%	2,860,549	76,755,334	98.07%
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%
2006	58,671,037	55,799,603	95.11%	1,115,407	56,915,010	97.01%

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 Repay	Net General Bonded Debt			Pension Obligation Bonds	Certificates of Participation
			General Bonded Debt	Per ADMw	Per Capita		
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	2,031	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
2006	130,569,579	(6,745,522)	123,824,057	6,618	915	102,850,000	5,302,971

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

Capital Leases	Notes Payable	Total Debt			Total Net Assessed Valuation	Average Daily Membership
		Total District	Per ADMw	Per Capita		
\$ 2,039,383	\$ 1,089,976	\$ 298,845,529	\$ 15,005	\$ 2,600	\$ 12,594,359,207	19,917
-	-	194,057,366	9,746	1,481	11,981,668,967	19,911
-	-	207,149,842	10,457	1,764	11,456,148,320	19,809
-	-	222,681,772	11,218	1,652	11,371,005,915	19,850
-	-	240,649,896	12,176	1,860	10,912,092,039	19,765
-	-	255,415,978	12,921	1,958	10,465,349,538	19,767
-	-	269,985,221	13,824	2,112	10,098,797,357	19,530
-	-	283,590,132	14,831	2,140	9,589,976,937	19,122
-	-	292,276,897	15,385	2,271	9,156,346,239	18,997
-	-	135,872,550	7,262	1,004	8,842,271,844	18,711

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

FOR THE YEAR ENDED JUNE 30, 2015

<u>Overlapping Issuer</u>	<u>Net Property-Tax Backed Debt</u>	<u>Percent Overlapping</u>	<u>Net Overlapping Debt</u>
Chemeketa Community College	\$ 92,590,000	0.0041%	\$ 3,796
Multnomah County	171,825,000	0.0007%	1,203
Metro	193,205,000	6.3677%	12,302,715
Portland Community College	160,095,000	9.3602%	14,985,212
Washington County SD 13 (Banks)	16,200,194	0.0515%	8,343
Washington County	19,890,000	22.2938%	4,434,237
Tualatin Hills Park & Rec District	90,832,785	1.7985%	1,633,628
Banks Fire District 13	480,000	2.7248%	13,079
Tualatin Valley Fire & Rescue District	55,020,000	3.3010%	1,816,210
City of Hillsboro	33,885,000	87.8672%	29,773,801
City of North Plains	240,000	100.0000%	240,000
Chehalem Park & Rec District	22,510,000	0.0201%	4,525
City of Cornelius	1,793,000	32.6444%	585,314
City of Beaverton	786,938	0.0543%	427
Washington County SD 48J (Beaverton)	844,318,784	0.0075%	63,324
Subtotal, overlapping debt			<u>65,865,814</u>
Direct District net property tax backed debt			<u>305,221,725</u>
Total direct and overlapping debt			<u><u>\$ 371,087,539</u></u>

(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

2006 Through 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Debt Limit	\$ 2,242,004,958	\$ 1,951,376,163	\$ 1,415,000,484	\$ 1,497,006,122
Total net debt applicable to the limit	<u>163,325,000</u>	<u>276,826,712</u>	<u>298,721,712</u>	<u>316,641,712</u>
Legal debt margin	<u>\$ 2,078,679,958</u>	<u>\$ 1,116,278,772</u>	<u>\$ 1,116,278,772</u>	<u>\$1,180,364,410</u>
Total net debt applicable to the limit as a percentage of debt limit	7.28%	14.19%	21.11%	21.15%

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 based on the following:

For each grade from Kindergarten to Eighth for with 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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,497,006,112	\$ 1,514,893,129	\$ 1,556,140,350	\$ 1,578,265,232	\$ 1,399,071,619	\$ 1,247,560,967
<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>231,880,000</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>	<u>\$ 1,015,680,967</u>
22.35%	23.25%	23.64%	24.11%	27.95%	18.59%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

2006 Through 2015

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars) (Estimated)</u>	<u>Personal Income</u>	<u>Unemployment Rate</u>
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%
2006	114,948	2,619,320	22,787	5.10%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PRINCIPAL EMPLOYERS FOR THE PORTLAND, OREGON, METROPOLITAN AREA**Current Year (2015) and Nine Years Ago (2006)**

<u>Employer</u>	<u>2015</u>			<u>2006</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.	17,500	1	1.59%	14,363	1	1.39%
Providence Health System	15,239	2	1.39%	13,753	2	1.33%
Oregon Health & Science University	14,616	3	1.33%	11,400	3	1.10%
Kaiser Foundation Health Plan	11,881	4	1.08%	7,433	5	0.72%
Legacy Health System	10,436	5	0.95%	7,907	4	0.77%
Fred Meyer Stores	10,237	6	0.93%	5,300	9	0.51%
City of Portland	8,558	7	0.78%	5,355	8	0.52%
Nike, Inc.	8,000	8	0.73%	5,742	7	0.56%
Portland School District	6,266	9	0.57%	6,700	6	0.65%
Multnomah County	5,616	10	0.51%			
Safeway, Inc. - Portland Division				5,282	10	0.51%
Sub-total of ten largest employers	<u>108,349</u>		<u>9.85%</u>	<u>83,235</u>		<u>8.06%</u>
All other Employers	991,651		90.15%	949,365		91.94%
Total Portland-Vancouver-Hillsboro MSA Employment	<u><u>1,100,000</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
2006 Through 2015

<u>Fiscal Year</u>	<u>Certified</u>	<u>Classified</u>	<u>Administrative</u>	<u>Total</u>
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
2006	1,044	1,050	67	2,161

(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

2006 Through 2015

<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>
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
2006	18,711	40%	7,499	18

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

STUDENT ENROLLMENT AND CAPITAL ASSET STATISTICS**Last Ten Fiscal Years****2006 Through 2015**

School/(Year Opened)	Square Footage	Fiscal Year Enrollment			
		2015	2014	2013	2012
Brookwood Elementary (1953)	43,041	388	360	382	411
Imlay Elementary (2002)	69,435	523	524	561	560
Butternut Creek Elementary (1977)	34,840	381	389	400	414
Patterson Elementary (2000)	69,435	475	477	486	513
Orenco Elementary (2000)	69,435	606	629	581	531
Indian Hills Elementary (1979)	40,219	495	444	437	446
Reedville Elementary (1922)	16,247	227	229	228	248
David Hill Elementary (1943)	27,828	Closed	Closed	Closed	Closed
Eastwood Elementary (1978)	49,163	518	510	497	486
Farmington View Elementary (1950)	22,867	292	222	215	225
Free Orchards (2008)	73,500	439	481	484	488
Jackson Elementary (1990)	50,767	553	548	531	508
L.C. Tobias Elementary (1992)	50,000	484	517	488	491
Groner Elementary (1949)	32,402	141	140	154	156
Lenox Elementary (1949)	51,074	459	435	432	444
McKinney Elementary (1970)	49,163	460	468	501	516
Minter Bridge Elementary (1980)	49,163	500	512	482	500
Moobery Elementary (1963)	49,496	459	479	485	475
North Plains Elementary (1954)	46,913	301	298	305	288
Peter Boscow Elementary (1912)	67,752	Closed	Closed	Closed	Closed
Rosedale Elementary (2009)	73,700	407	394	370	364
Quatama Elementary (2008)	73,100	466	547	531	533
Ladd Acres Elementary (1968)	60,825	507	506	515	520
Lincoln Street Elementary (2008)	73,400	558	574	594	579
W.L. Henry Elementary (1968)	52,813	413	426	455	490
West Union Elementary (1948)	42,757	356	283	306	310
Witch Hazel Elementary (2003)	69,435	574	608	569	530
Brown Middle School (1963)	95,414	708	738	796	828
Evergreen Middle School (1981)	120,000	830	829	804	794
Hillsboro Online Academy (2012)	8,500	193	170	90	-
Thomas Middle School (1928)	Demolished	Closed	Closed	Closed	Closed
South Meadows Middle School (2009)	153,000	730	747	740	800
Poynter Middle School (1959)	83,200	769	746	722	690
Miller Ed Junior High (1959)	9,560	6	17	22	14
Century High School (1997)	265,000	1,611	1,669	1,631	1,674
Glencoe High School (1980)	240,000	1,612	1,615	1,603	1,594
Liberty High School (2003)	288,897	1,491	1,429	1,399	1,362
Hilhi High School (1969)	253,652	1,340	1,352	1,361	1,418
Miller Ed High School (1958)	20,552	58	57	76	77
		<u>20,330</u>	<u>20,369</u>	<u>20,233</u>	<u>20,277</u>

Source:

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

2011	2010	2009	2008	2007	2006
443	445	457	535	566	558
590	609	617	541	659	655
414	412	451	449	439	442
548	552	515	733	654	677
515	438	424	605	594	552
449	451	443	385	407	369
247	276	291	346	366	360
Closed	Closed	Closed	262	337	321
486	473	472	481	505	534
220	224	215	209	226	248
499	487	472	-	-	-
527	535	537	620	656	632
523	524	543	550	563	577
175	171	191	192	206	191
427	390	402	425	440	439
497	474	503	536	533	509
464	427	461	442	362	406
493	488	513	516	543	504
313	311	320	332	310	333
Closed	Closed	Closed	355	388	388
350	363	-	-	-	-
556	638	513	-	-	-
571	548	636	647	603	612
543	522	545	-	-	-
451	467	605	594	616	592
314	305	312	402	349	358
559	544	645	609	489	431
821	859	919	899	875	892
827	855	886	873	778	774
-	-	-	-	-	-
Closed	Closed	543	524	544	550
748	750	-	-	-	-
706	678	775	782	713	760
19	22	17	19	16	15
1,584	1,537	1,524	1,454	1,493	1,460
1,580	1,554	1,490	1,427	1,444	1,464
1,289	1,244	1,270	1,264	1,269	1,171
1,426	1,470	1,481	1,477	1,478	1,444
72	60	50	60	69	79
<u>20,246</u>	<u>20,103</u>	<u>20,038</u>	<u>19,545</u>	<u>19,490</u>	<u>19,297</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

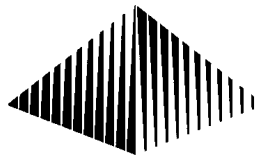
TEACHER DATA

2014-15 SCHOOL YEAR

Education	Step	FTE	Salary
BA	1	12.80	\$ 36,973
BA	2	7.00	37,959
BA	3	2.50	39,477
BA	4	4.50	41,056
BA	5	2.00	42,698
BA	6	2.50	44,406
BA	7	2.00	46,182
BA	8	1.50	48,029
BA	9	2.80	49,950
BA	10	1.00	51,949
BA	11	2.00	54,179
BA	12	1.00	56,421
BA	12a	13.20	57,154
BA+24	1	0.00	38,083
BA+24	2	3.00	39,098
BA+24	3	0.00	40,662
BA+24	4	0.00	42,289
BA+24	5	1.00	43,980
BA+24	6	0.50	45,740
BA+24	7	1.00	47,569
BA+24	8	0.00	49,472
BA+24	9	2.40	51,450
BA+24	10	0.00	53,508
BA+24	11	4.60	55,806
BA+24	12	2.00	58,116
BA+24	12a	12.80	58,871
BA+45	1	0.00	39,224
BA+45	2	3.00	40,270
BA+45	3	1.00	41,881
BA+45	4	1.00	43,556
BA+45	5	0.00	45,298
BA+45	6	1.00	47,110
BA+45	7	0.70	48,995
BA+45	8	0.00	50,954
BA+45	9	1.00	52,993
BA+45	10	1.00	55,112
BA+45	11	1.00	57,316
BA+45	12	0.00	59,609
BA+45	13	3.50	61,993
BA+45	14	3.00	64,473
BA+45	15	1.00	67,051
BA+45	15a	11.75	67,922
MA	1	38.55	40,403
MA	2	42.67	41,480
MA	3	25.77	43,140
MA	4	20.90	44,865
MA	5	11.50	46,660

Education	Step	FTE	Salary
MA	6	24.07	\$ 48,526
MA	7	25.33	50,467
MA	8	31.80	52,486
MA	9	22.55	54,585
MA	10	35.25	56,769
MA	11	22.35	59,039
MA	12	15.00	61,401
MA	13	24.50	63,857
MA	14	24.35	66,411
MA	15	22.83	69,067
MA	16	27.25	71,829
MA	16a	68.45	72,762
MA+24	1	0.00	41,614
MA+24	2	3.75	42,724
MA+24	3	4.50	44,433
MA+24	4	8.00	46,210
MA+24	5	9.27	48,058
MA+24	6	5.60	49,981
MA+24	7	16.00	51,979
MA+24	8	11.25	54,059
MA+24	9	15.00	56,221
MA+24	10	12.75	58,470
MA+24	11	6.80	60,808
MA+24	12	6.60	63,241
MA+24	13	13.28	65,770
MA+24	14	14.40	68,401
MA+24	15	6.50	71,137
MA+24	16	3.58	73,982
MA+24	16a	49.57	74,943
MA+45	1	2.00	42,861
MA+45	2	0.00	44,004
MA+45	3	2.00	45,765
MA+45	4	3.00	47,595
MA+45	5	0.50	49,499
MA+45	6	8.60	51,480
MA+45	7	18.47	53,539
MA+45	8	14.17	55,680
MA+45	9	14.60	57,907
MA+45	10	9.83	60,224
MA+45	11	10.40	62,633
MA+45	12	6.50	65,138
MA+45	13	10.50	67,744
MA+45	14	12.03	70,453
MA+45	15	13.60	73,271
MA+45	16	16.50	76,201
MA+45	16a	77.88	77,191

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
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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, 2015, 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 28, 2015.

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

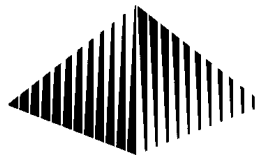
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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.


Jane Mueller & David R.
CERTIFIED PUBLIC ACCOUNTANTS

December 28, 2015



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 ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, Washington County, Oregon 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

December 28, 2015

HILLSBORO SCHOOL DISTRICT 1J
Washington County

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

July 1, 2014 - June 30, 2015 Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period Begin Date	End Date	Revenue and Expenditures
DEPARTMENT OF AGRICULTURE:					
Passed through Oregon Department of Education:					
Child Nutrition Cluster					
School Breakfast Program (SBP)	10.553	3408001	7/1/2014	6/30/2015	\$ 1,236,822
National School Lunch Program (NSLP)	10.555	3408001	7/1/2014	6/30/2015	4,744,764
Summer Food Service Program For Children (SFSPC)	10.559	3408001	7/1/2014	6/30/2015	322,083
Total Pass-Through Programs from Child Nutrition Cluster					6,303,669
Total Pass-Through Programs from Department of Education					6,303,669
DEPARTMENT OF AGRICULTURE TOTAL:					6,303,669
DEPARTMENT OF LABOR					
Passed through Work Systems, Inc:					
WIA Cluster					
WIA Youth Activities	17.259	14-50100	7/1/2014	6/30/2015	466,000
Total Pass-Through Programs from WIA Cluster					466,000
Total Pass-Through Programs from Work Systems, Inc					466,000
DEPARTMENT OF LABOR TOTAL					466,000
DEPARTMENT OF EDUCATION:					
Indian Education - Grants to Local Educational Agencies	84.060A	S060A132526	7/1/2013	6/30/2015	16,636
Direct Program					16,636
Total Direct Programs					16,636
Passed through University of Oregon:					
Evaluation of State and Local Education Programs	84.305E	224001D	9/1/2010	6/30/2015	15,201
Total Pass-Through Programs from University of Oregon					15,201
Office of Vocational Rehabilitation Services					
Youth Transition Program	84.126a	143291	7/1/2013	6/30/2015	92,842
Total Pass-Through Programs from Office of Vocational Rehabilitation Services					92,842
Passed through Oregon Department of Education:					
Title I, Part A					
Title I Grants to Local Educational Agencies (LEAs)					
Title IA	84.010	28143	7/1/2013	9/30/2014	128,731
Title IA	84.010	32599	7/1/2014	9/30/2015	3,870,932
Title ID	84.010	28263	7/1/2013	9/30/2014	1,134
Title ID	84.010	32508	7/1/2014	9/30/2015	18,483
Targeted Other Title I Lincoln Street	84.010	30719	12/1/2013	9/30/2014	10,282
Targeted Other Title I WL Henry	84.010	30725	12/1/2013	9/30/2014	6,832
2013-14 Focus Improvement - Brookwood Elementary	84.010	28319	7/1/2013	9/30/2014	1,534
2014-15 Focus Improvement - Brookwood Elementary	84.010	32749	7/1/2014	9/30/2015	25,237
2014-15 Focus Improvement - Reedville Elementary	84.010	32750	7/1/2014	9/30/2015	8,439

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, 2015

July 1, 2014 - June 30, 2015 Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period Begin Date End Date		Revenue and Expenditures
Title I, Part A (Continued)					
Expanded Reading EA - Brookwood Elementary	84.010	34261	8/1/2014	6/30/2015	\$ 23,657
Expanded Reading EA - Reedville Elementary	84.010	34262	8/1/2014	9/30/2015	33,966
Total Pass-Through Programs from Title I, Part A					<u>4,129,227</u>
Migrant Education - State Grant Program					
Title IC - Migrant Education	84.011	29957	7/1/2013	9/30/2015	161,017
Title IC - Migrant Education	84.011	33598	7/1/2014	9/30/2015	340,543
Title IC - Migrant Education - Preschool	84.011	29976	7/1/2013	9/30/2014	14,291
Title IC - Migrant Education - Preschool	84.011	33579	7/1/2014	9/30/2015	31,343
Title IC - Migrant Education - Summer	84.011	31056	5/1/2014	9/30/2014	267,264
Title IC - Migrant Education - Summer	84.011	35103	5/1/2015	9/30/2015	1,166
Pass-Through					<u>815,624</u>
Office of Special Education and Rehabilitative Services					
Special Education Cluster (IDEA)					
IDEA - Part B Section 611	84.027	28453	7/1/2013	9/30/2015	1,011,308
IDEA - Part B Section 611	84.027	33280	7/1/2014	9/30/2016	1,896,946
IDEA Enhancement 2013-14	84.027	29787	10/1/2013	9/30/2014	1,136
IDEA Enhancement 2014-15	84.027	33713	10/1/2014	9/30/2015	12,731
Extended Assessment 2014-15	84.027	31844	9/1/2014	6/30/2015	6,979
SPR&I 2014-15	84.027	32115	8/1/2014	6/30/2015	9,085
Pass-Through					<u>2,938,185</u>
Special Education Preschool Grants					
IDEA - Part B Section 619 2013-14	84.173	28855	7/1/2013	9/30/2015	14,149
Pass-Through					<u>14,149</u>
Total Pass-Through Programs from Special Education Cluster (IDEA)					<u>2,952,334</u>
Office of Vocational and Adult Education					
Career and Technical Education - Basic Grants to States					
Perkins Comprehensive Basic	84.048	27368	7/1/2013	9/30/2014	14,885
Perkins Comprehensive Basic	84.048	31761	7/1/2014	9/30/2015	135,035
Pass-Through					<u>149,920</u>
Office of Educational Improvement and Innovation					
Homeless Education Program					
Title X McKinney Vento	84.196	31050	7/1/2013	9/30/2015	14,249
Title X McKinney Vento	84.196	34328	7/1/2014	9/30/2015	38,428
Pass-Through					<u>52,677</u>
English Language Acquisition Grants					
Title III - Language Instruction	84.365	30014	7/1/2013	9/30/2014	36,167
Title III - Language Instruction	84.365	32330	7/1/2014	9/30/2015	296,675
Pass-Through					<u>332,842</u>
Improving Teacher Quality State Grants					
Title IIA - Teacher Quality	84.367	28659	7/1/2013	9/30/2015	121,033
Title IIA - Teacher Quality	84.367	3292	7/1/2014	9/30/2015	449,789
Pass-Through					<u>570,822</u>
Total Pass-Through from Oregon Department of Education					<u>9,003,446</u>
DEPARTMENT OF EDUCATION TOTAL					<u>9,128,125</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, 2015

July 1, 2014 - June 30, 2015 Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period Begin Date	End Date	Revenue and Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
CAF-SSP (My Future My Choice)	93.235	142674	7/1/2013	6/30/2015	\$ 23,006
			Direct Program		<u>23,006</u>
			Total Direct Programs		<u><u>23,006</u></u>
Passed through Washington County:					
Promoting Safe and Stable Families	93.556	14-0963	10/1/2014	6/30/2015	<u>49,201</u>
			Pass Through		<u>49,201</u>
			Total Pass-Through Programs from Washington County		<u><u>49,201</u></u>
Passed through the Oregon Department of Education:					
CCDF Cluster					
Child Care and Development Block Grant	93.575	9841	7/1/2011	6/30/2015	<u>91,357</u>
			Total Pass- Through Programs from CCDF Cluster		<u>91,357</u>
			Total Pass-Through from Oregon Department of Education		<u><u>91,357</u></u>
Passed through Northwest Regional Education Service District:					
Medicaid Cluster					
Medical Assistance Program Cluster	93.778	2017-2239	7/1/2014	6/30/2015	<u>112,762</u>
			Total Pass- Through Programs from Medicaid Cluster		<u>112,762</u>
			Total Pass-Through Programs from Northwest Regional ESD		<u><u>112,762</u></u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u><u>276,326</u></u>
TOTAL FEDERAL FINANCIAL ASSISTANCE					\$ <u><u>16,174,120</u></u>

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, 2015*

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. 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 requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance

Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, 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, nonmonetary 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

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish 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 OMB Circular A-133. 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, 2015.

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.

HILLSBORO SCHOOL DISTRICT 1J
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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 section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.011	Migrant Education – State Grant Program
84.027 & 84.173	Special Education Cluster (IDEA)
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between type A and type B programs:	\$485,224
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

HILLSBORO SCHOOL DISTRICT 1J
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

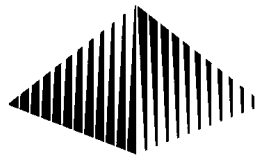
PRIOR YEAR FINANCIAL STATEMENT FINDINGS

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, 2015, and have issued our report thereon dated December 28, 2015.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

- In our testing of teacher experience, two of 25 teachers tested were reported in error. The District has subsequently corrected their reporting to the Oregon Department of Education.
- The District had overexpenditures of appropriations as noted in the notes to the financial statements.

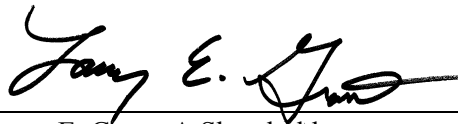
Internal Control

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

Restriction on Use

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

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

By: 
Larry E. Grant, A Shareholder
December 28, 2015