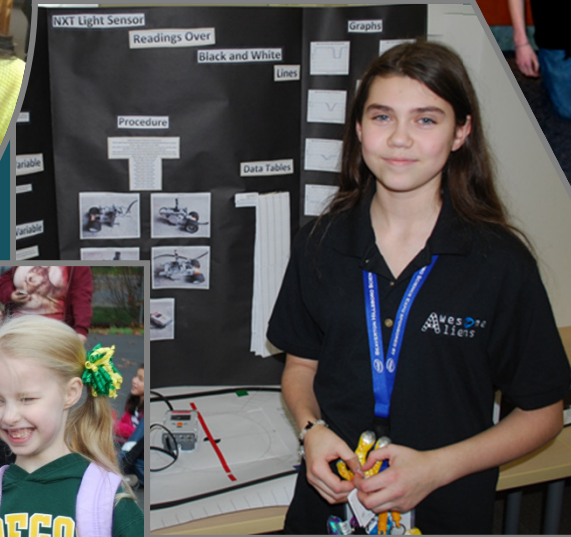
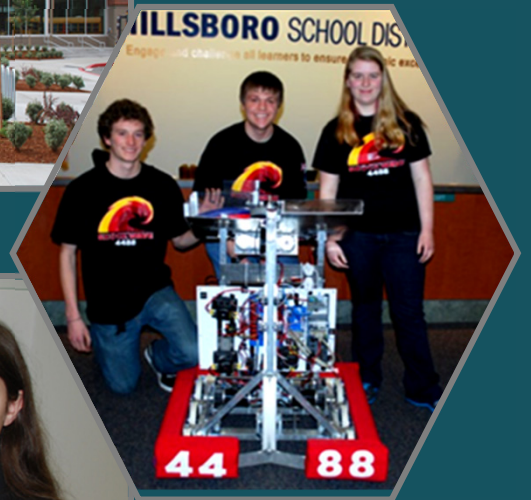


Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2014



Hillsboro School District 1J
3083 NE 49th Place
Hillsboro, Oregon

Back of Cover

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, 2014

*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 17, 2014

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, 2014.

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, 2014, 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 2013-2014 the management staff consisted of 1 superintendent, 2 assistant superintendents, 4 executive directors, 4 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 929 teachers and 954 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 128,709. 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 1,474, or an average of approximately 0.80 percent per year during the last decade.

School Year	Average Daily Membership
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
04-05	18,437

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

On November 6, 1990, the voters of the State of Oregon passed by initiative petition, a constitutional property tax limitation measure known as Ballot Measure 5. Starting with the 1991-92 fiscal year, the terms of Ballot Measure 5 limit property taxes for all government services to a combined total of \$15.00 per \$1,000 of market value. Of this \$15.00, school districts, education service districts, and community colleges combined can collect a maximum total of up to \$5.00 per \$1,000 of market value. The maximum property tax rate for all other governmental entities is limited to a combined total of \$10.00 per \$1,000 of market value, and does not decrease.

The state legislature has appropriated funds to replace property tax revenue lost by educational entities through the 1999-2001 biennium. There is no requirement for the legislature to replace property tax revenues lost by other entities.

On November 5, 1996, the voters of the State of Oregon passed by initiative petition another constitutional property tax limitation measure known as Ballot Measure 47. The measure creates a third constitutional limit on property tax levies. Under this ballot measure, property taxes for 1997-98 on each individual property was reduced to the lower of the 1994-95 tax levy or 10 percent less than the 1995-96 tax levy. Measure 47 required the 1997 Legislature to implement the constitutional limitation and give priority to public safety and education in the allocation of revenues.

On May 20, 1997, Oregon voters passed Ballot Measure 50 to modify ballot Measure 47. The Oregon Legislature referred Ballot Measure 50 to Oregon voters to clarify Ballot Measure 47, correct drafting errors, and establish a method of computing a "permanent" tax rate for school districts. The permanent tax rate for Hillsboro School District was established at \$4.9749 per thousand of assessed value.

Measure 50 reduced the amount of operating property tax revenues available to the District for the 1997-98 fiscal year, and thereafter. The measure required a 17 percent overall statewide reduction in operating tax levies in 2003-04. The actual reduction per taxing district varied according to certain exemptions and special provisions of the measure and its implementing legislation. The actual reduction in Hillsboro School District's assessed value was 10.2 percent. Taxes levied to support bonded debt are exempted from the reductions. The measure also set restrictive voter approval requirements for most tax increases, many fee increases, and new bond issues, and it requires the State of Oregon to minimize the impact of the tax cuts to school districts. In its 1997 legislative session, the

State of Oregon provided additional State revenues for the 1997-1999 biennium to help alleviate the impact on school operations, and has continued to do so for the subsequent bienniums. Measure 50's ultimate impact on the District sure has been greater reliance on state funding and less reliance on local funding.

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.

In order to provide adequate and appropriate physical facilities for operations, the Business Department is responsible for the financial management of multiple construction projects that were completed during the 2009-10 school year. A \$169 million bond issue was approved by voters in November 2006, and provided funding for the construction of four elementary schools, and one middle school.

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 2013-14 year, Hillsboro School District focused on maintaining financial stability within the District while refocusing 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 originally appropriated \$6.65 billion for K-12 allocations for the 2013-2015 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 has, to date, elected to insure for most risks other than that represented by minimal deductible amounts per loss. Workers' Compensation insurance is typically procured on a retrospectively rated basis so that total insurance cost is ultimately in direct proportion to losses. Property/Casualty insurance is currently in force at replacement value with a \$10,000 per loss deductible. Comprehensive, general, and automotive liability insurance provides \$1,000,000 basic coverage. Errors and Omissions coverage—sometimes called Difference in Conditions (DIC) coverage—is in force for \$500,000. Excess coverage over the Basic and DIC coverage is in force at \$9,500,000.

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, 2013. This was the nineteenth 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 2014 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, 2013

Executive Director/CEO

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

OFFICIALS OF THE DISTRICT

JUNE 30, 2014

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

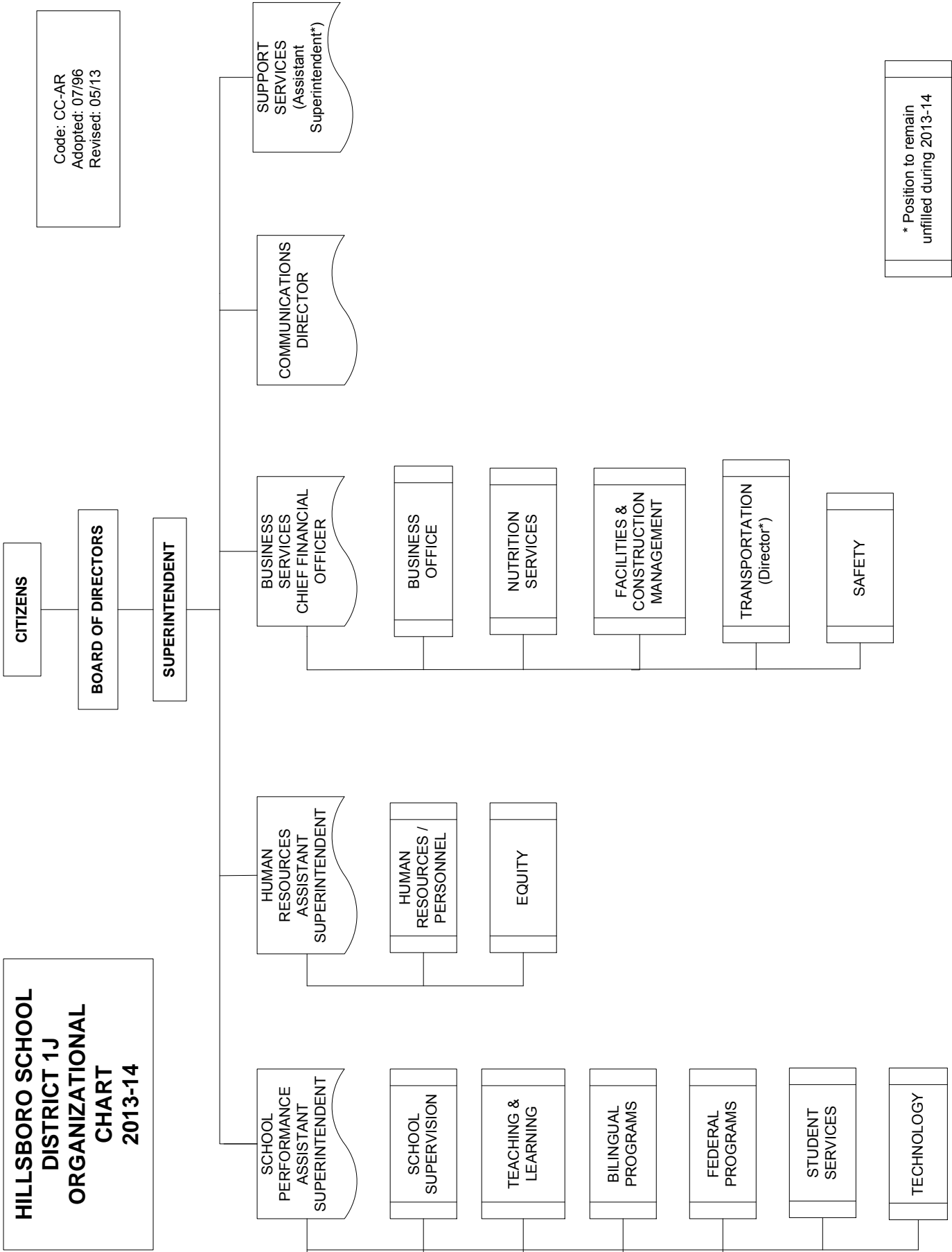
Mike Scott, Superintendent – Clerk
Adam Stewart, Chief Financial Officer – Deputy Clerk

DISTRICT ADDRESS

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

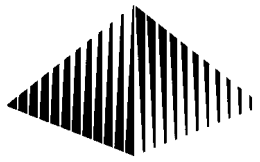
**HILLSBORO SCHOOL
DISTRICT 1J
ORGANIZATIONAL
CHART
2013-14**

Code: CC-AR
Adopted: 07/96
Revised: 05/13



* Position to remain unfilled during 2013-14

Back of Tab



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, 2014, 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 4 through 17), the budgetary comparison information (pages 54 through 55) and the schedules of funding progress for other postemployment benefits (pages 52 and 53) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required MD&A and schedule of funding progress for other postemployment benefits 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 (pages 53 through 58), other financial schedules (pages 59 through 69), 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.

Report on Other Legal and Regulatory Requirements

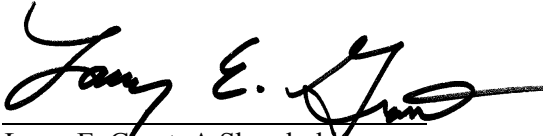
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, 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 17, 2014, 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 17, 2014

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 assets exceeded the liabilities of the District by \$62.6 million (net position). Of this amount, \$67.9 million represents the District's investment in capital assets, \$4.9 million is restricted for special programs, \$4.0 million for debt service, and the (\$12.1) million balance is unrestricted.
- For the fiscal year ended June 30, 2014, the District's total current and other assets decreased by \$1.0 million. This decrease is primarily due to a \$3.0 million increase in Cash and Investments and a \$5.0 million reduction in Prepaid PERS Unfunded Liability.
- In addition, this marks the fifth year that the Hillsboro School District has been required to show Other Postemployment Benefits (OPEB) and Net Pension obligations on its financial statements. An actuarial study conducted by Independent Actuaries, Inc. projected the Actuarial Accrued Liability for OPEB to be \$5.6 million and the Net Pension Obligation to be \$.1 million as of June 30, 2014.
- The District's governmental funds show a combined ending fund balance of \$31.1 million, an increase of \$2.8 million in comparison with the prior year. The increase is primarily attributable to a \$5.3 million increase in unassigned General Fund ending fund balance and a reduction in capital project reserves of \$2.4 million. The unassigned general fund increase was due primarily to an increase in State School Fund Revenue and the receipt of \$1.2 million in Gain Share funds from the City of Hillsboro and Washington County. At the end of the fiscal year, the unassigned fund balance for the general fund was \$14.1 million or about 8.3 percent of total general fund expenditures.
- The District's total current and long-term debt decreased by \$19.5 million during the 2013-14 fiscal year, due to debt service payments and amortization of premiums and discounts.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

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:

- **The Statement of Net Position.** 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.
- **The Statement of Activities.** The Statement of Activities presents information showing how the net position of the District changed over the year by tracking revenues, expenses, and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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 18 and 19 of this report.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

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 20-23 of this report.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

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 23-47 of this report.

Supplementary Information

Schedules presenting detailed budgetary information for individual funds and other supplementary information can be found on pages 52-69 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, assets exceeded liabilities by \$62.6 million at June 30, 2014.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 67.2 percent of total assets. The remaining assets consist mainly of investments, cash, grants, and property taxes receivable.

The District's largest liability (91.1 percent) is for the repayment of general obligation and pension bonds. Current liabilities, representing about 8.9 percent of the District's total liabilities, consist almost entirely of payables on accounts, salaries and benefits, and the current portion of long-term debt.

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, 2014

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Hillsboro School District 1J			
Net Position			
(in thousands)			
	Governmental Activities		Increase (Decrease)
	2014	2013	from Fiscal 2013
Current and other assets	\$ 119,887	\$ 21,343	\$ (1,456)
Capital assets	<u>246,459</u>	<u>249,219</u>	<u>(2,760)</u>
Total assets	366,346	370,562	(4,216)
Current liabilities	15,399	15,270	129
Long-term debt outstanding	<u>288,355</u>	<u>307,879</u>	<u>(19,524)</u>
Total liabilities	303,754	323,149	(19,395)
Net position:			
Net investment in capital assets	64,738	52,288	15,660
Restricted	9,943	17,502	(2,614)
Unrestricted	<u>(12,089)</u>	<u>(22,378)</u>	<u>2,134</u>
Total net position	<u>\$ 62,592</u>	<u>\$ 47,412</u>	<u>\$ 15,180</u>

During the current fiscal year, the District's net position increased by \$15.2 million.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, are as follows:

Hillsboro School District 1J			
Changes in Net Position			
(in thousands)			
	Governmental Activities		Increase (Decrease)
	2014	2013	from Fiscal 2013
Revenues:			
Program revenues:			
Charges for services	\$ 7,171	\$ 7,543	\$ (372)
Operating grants and contributions	18,533	23,143	(4,610)
Capital grants and contributions	384	451	(67)
General revenues:			
Property taxes	85,158	81,236	3,922
State school fund - general support	113,663	96,246	7,417
Unrestricted state and local sources	2,547	872	1,675
Earnings on investments	277	283	(6)
Gain on sale of capital assets		1	(1)
Miscellaneous	<u>1,430</u>	<u>536</u>	<u>894</u>
Total revenues	229,163	210,311	18,852
Expenses:			
Instruction	13,613	112,948	665
Support Services	79,208	74,175	5,033
Enterprise and community services	8,129	8,540	(411)
Interest on long-term debt	<u>13,034</u>	<u>14,611</u>	<u>(1,577)</u>
Total Expenses	213,984	210,274	3,710
Increase in net assets	15,180	37	15,143
Net position - July 1	<u>47,412</u>	<u>47,375</u>	<u>37</u>
Net position - June 30	<u>\$ 62,592</u>	<u>\$ 47,412</u>	<u>\$ 15,180</u>

HILLSBORO SCHOOL DISTRICT 1J

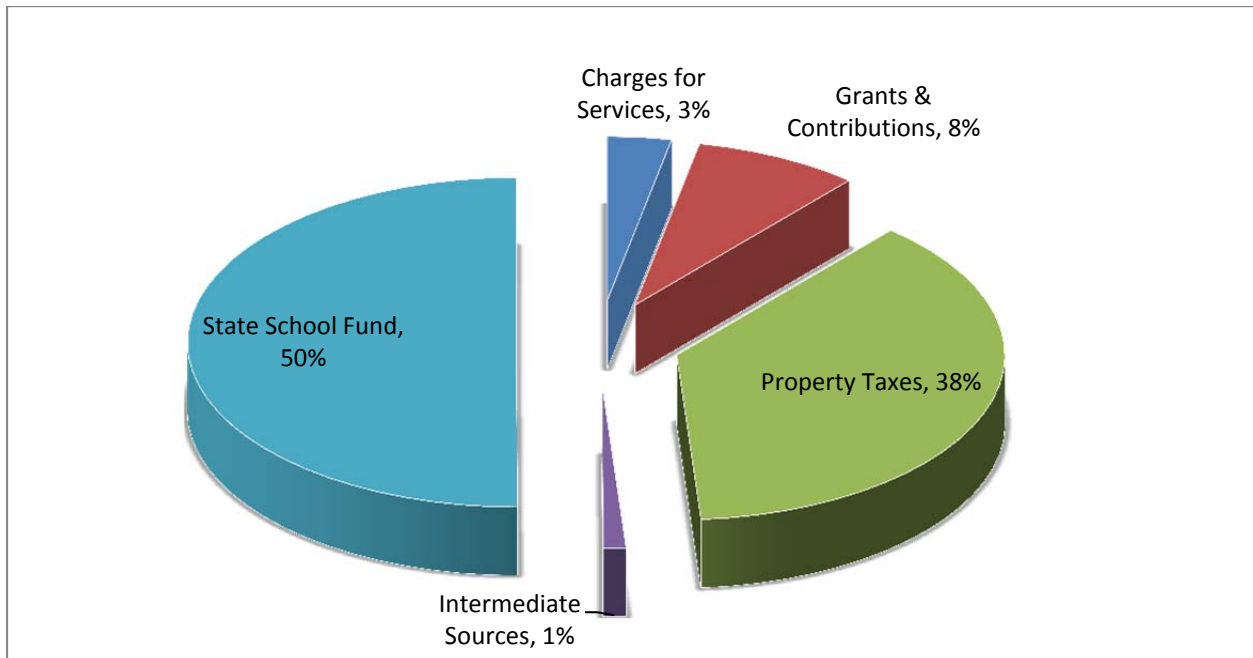
Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



- State School Fund revenue increased \$17.4 million, an increase of 18.1 percent from 2012-13.
- Property Taxes increased by \$3.9 million, reflecting an increase in Assessed Value within the District.
- Grants and Contributions decreased by \$4.6 million, a decrease of 19.9 percent from 2012-13. This decrease was primarily due to a \$3.2 million federal EduJobs grant that was discontinued after the 2012-13 school year.

HILLSBORO SCHOOL DISTRICT 1J

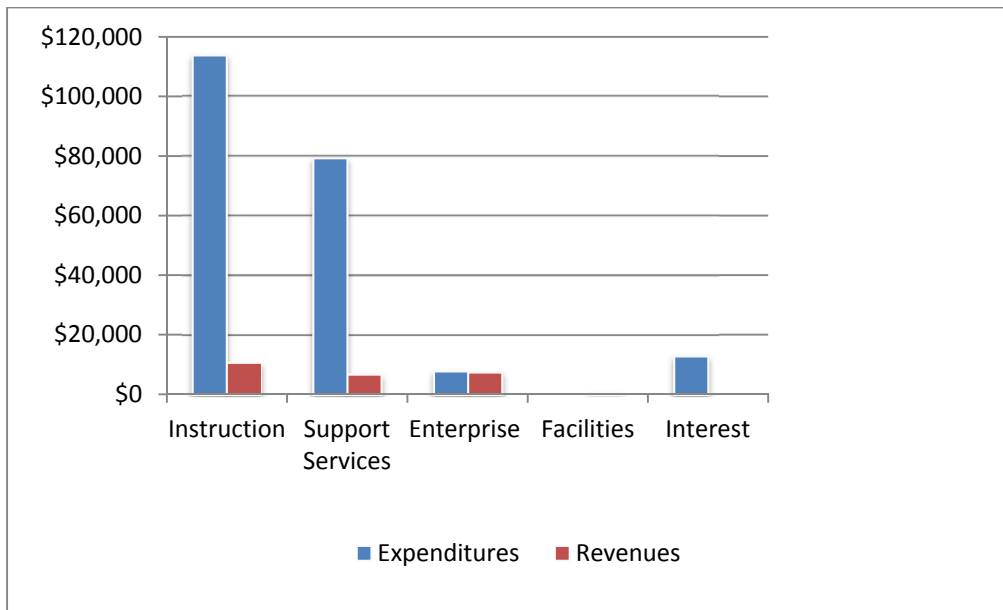
Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the District's governmental funds reported combined ending fund balances of \$31.1 million, an increase of \$2.8 million in comparison with the prior year. About \$14.1 million (45.4 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, 2014

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

Governmental Funds (Continued)

About \$4.0 million (12.8 percent) is restricted for debt service obligations.

General Fund

The General Fund is the chief operating fund of the District. As of June 30, 2014, total fund balance was \$16.0 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 9.4 percent of total General Fund expenditures.

The fund balance increased by \$5.4 million during the current fiscal year. This increase was due primarily to an increase in State School Fund Revenue and the receipt of \$1.2 million in Gain Share funds from the City of Hillsboro and Washington County.

Special Revenue Fund

At June 30, 2014, the fund balance was \$5.1 million, which is a decrease of \$0.6 million from the prior year.

Debt Service Fund

The Debt Service Fund has a total fund balance of \$4.0 million, all of which is restricted for the payment of debt service. This represents a net increase in fund balance from the prior year of approximately \$0.4 million. The \$4.0 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 \$6.0 million, all of which is restricted for ongoing district capital project and maintenance. This represents a net decrease in fund balance during the year of approximately \$2.4 million. The decrease is reflective of planned expenditures spent on construction projects that occurred during the year.

HILLSBORO SCHOOL DISTRICT 1J

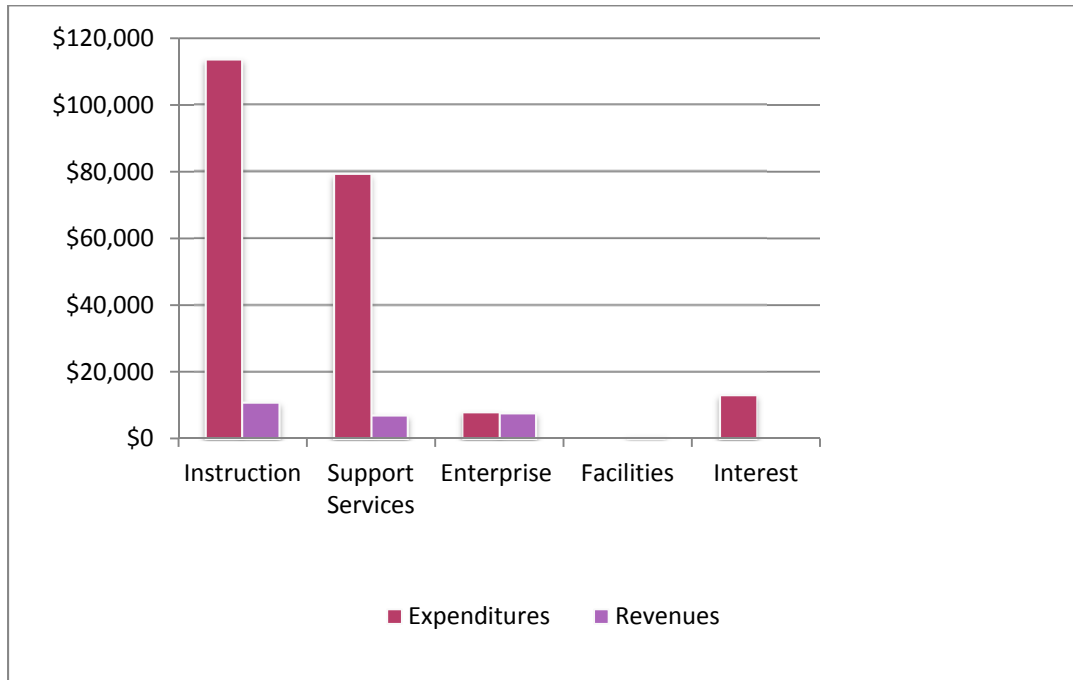
Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, was increased by \$1.2 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 \$.4 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, 2014, the District had invested over \$246 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, 2014

6. CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

Hillsboro School District 1J			
Capital Assets – Net of Accumulated Depreciation			
(in thousands)			
	Governmental Activities		Increase (Decrease) from
	2014	2013	Fiscal 2013
Land	\$ 37,035	\$ 34,969	\$ 2,066
Buildings and improvements	199,999	205,194	(5,195)
Vehicles and equipment	<u>9,425</u>	<u>9,056</u>	<u>369</u>
Total	<u>\$ 246,459</u>	<u>\$ 249,219</u>	<u>\$ (2,760)</u>

During the year, the District's investment in capital assets decreased by \$2.76 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 37-38 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total debt outstanding of \$288 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, 2014

6. CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt (Continued)

Hillsboro School District 1J			
Outstanding Debt			
(in thousands)			
	Government Activities		Increase
	2014	2013	(Decrease)
			from
			Fiscal 2013
	\$		
General obligation bonds	181,927	\$ 201,522	\$ (19,595)
Certificates of participation	2,726	3,116	(390)
Capital leases payable	1,655	899	756
Note payable	1,443	-	1,443
Early retirement program	19	219	(200)
Net pension bonds	63	73	(10)
PERS pension bonds	94,900	97,200	(2,300)
Post retirement obligations	<u>5,623</u>	<u>4,850</u>	<u>733</u>
Total	<u>\$ 288,355</u>	<u>\$ 307,879</u>	<u>\$ (19,524)</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 \$1.116 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 40 of this report.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, the State School Fund – General Support provided 56.25 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. The employer rate was reduced from 17.6 percent to 12.8 percent for Tier 1 & 2 employees and resulted in a \$3.3 million savings to the general operational budget in 2008-09. The employer rate was reduced from 19.9 percent to 15.1 percent for OPSRP employees and resulted in a \$1.4 million savings to the general operational budget in 2008-09. The pension bonds allowed the District to reduce its PERS obligation by a total of \$4.7 million during the 2008-09 school year. 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 Government Accounting Standards Board (GASB) Statement 54 purposes. In July 2011, the District experienced an increase in its PERS rates from 11.3 percent of payroll to 18.6 percent of payroll, an increase of approximately \$7.0 million for the 2011-12 school year. For the 2013-2015 biennium initially District was anticipated that the PERS Employer rates would increase in July 2013 by as much as an additional 7.0 percent of payroll, an increase of an additional \$7.0 million for the 2013-14 school year. However, the 2013 regular legislative session and subsequent special session passed PERS reforms that decreased these anticipated rate increases from 7.0 percent to 3.5 percent. As a result PERS rates for the 2013-15 biennium will be 21.8 percent of payroll.

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

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 2013-14 increased by 102 students over 2012-13.

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, 2014

ASSETS:

Cash and investments	\$	40,273,830
Receivables		8,153,713
Supply inventory		345,810
Prepaid PERS unfunded liability		70,546,266
Prepaid expenses		567,165
Capital assets:		
Not being depreciated		37,034,590
Being depreciated, net of accumulated depreciation		209,424,475
Total assets	\$	366,345,849

LIABILITIES:

Accounts payable	\$	2,021,156
Accrued payroll, payroll taxes and employee withholdings		12,154,665
Accrued interest payable		383,167
Construction retainage		28,565
Unearned revenue		382,171
Accrued compensated absences payable:		
Due within one year		321,802
Due in more than one year		107,267
Long-term debt:		
Due within one year		24,927,158
Due in more than one year		263,427,875
Total liabilities	\$	303,753,826

NET POSITION:

Net investment in capital assets		64,738,162
Restricted for:		
Special programs		5,088,140
Debt service		4,854,595
Unrestricted		(12,088,874)
Total net position	\$	62,592,023

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, 2014

<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>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
Instruction	\$ 113,612,720	\$ 4,842,097	\$ 5,981,567	\$ -	\$ (102,789,056)
Support services	79,207,615	609,956	6,392,540	-	(72,205,119)
Community services	8,129,203	1,719,122	5,522,009	384,047	(504,025)
Facilities acquisition and construction	-	-	637,036	-	637,036
Interest on long-term debt	13,034,172	-	-	-	(13,034,172)
Total Governmental Activities	<u>\$ 213,983,710</u>	<u>\$ 7,171,175</u>	<u>\$ 18,533,152</u>	<u>\$ 384,047</u>	<u>(187,895,336)</u>
GENERAL REVENUES:					
Property taxes levied for general purposes					56,664,969
Property taxes levied for debt service					28,493,052
State School Fund - general support					113,662,969
Unrestricted intermediate sources					2,546,625
Earning on Investments					276,870
Miscellaneous					1,430,485
TOTAL GENERAL REVENUES					<u>203,074,970</u>
CHANGE IN NET POSITION					15,179,634
NET POSITION, July 1, 2013					<u>47,412,389</u>
NET POSITION, JUNE 30, 2014					<u>\$ 62,592,023</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, 2014

	<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	\$ 27,483,318	\$ 2,849,692	\$ 3,799,897	\$ 6,140,923	\$ 40,273,830
Receivables	4,421,317	2,294,531	1,437,865	-	8,153,713
Inventory	131,765	214,045	-	-	345,810
Prepaid items	212,479	320,481	-	34,205	567,165
TOTAL ASSETS	<u>\$ 32,248,879</u>	<u>\$ 5,678,749</u>	<u>\$ 5,237,762</u>	<u>\$ 6,175,128</u>	<u>\$ 49,340,518</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 1,668,867	\$ 206,607	\$ -	\$ 145,682	\$ 2,021,156
Accrued payroll, payroll taxes and employee withholdings	12,152,834	1,831	-	-	12,154,665
Construction retainage	28,565	-	-	-	28,565
Unearned revenue	-	382,171	-	-	382,171
TOTAL LIABILITIES	<u>13,850,266</u>	<u>590,609</u>	<u>-</u>	<u>145,682</u>	<u>14,586,557</u>
Deferred Inflows of Resources:					
Property tax revenue	<u>2,441,721</u>	<u>-</u>	<u>1,253,152</u>	<u>-</u>	<u>3,694,873</u>
FUND BALANCES:					
Nonspendable					
Inventory	131,765	214,045	-	-	345,810
Prepaid items	212,479	320,481	-	34,205	567,165
Restricted for:					
Special Programs	-	4,553,614	-	-	4,553,614
Debt Services	-	-	3,984,610	-	3,984,610
Capital Projects	-	-	-	5,995,241	5,995,241
Assigned for:					
PERS Reserve	1,500,000	-	-	-	1,500,000
Unassigned	14,112,648	-	-	-	14,112,648
TOTAL FUND BALANCES	<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>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 32,248,879</u>	<u>\$ 5,678,749</u>	<u>\$ 5,237,762</u>	<u>\$ 6,175,128</u>	<u>\$ 49,340,518</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, 2014

TOTAL FUND BALANCES		\$ 31,059,088
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Capital assets	\$ 389,877,836	
Accumulated depreciation	(143,418,771)	
	<hr/>	246,459,065
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.		3,694,873
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.		(429,069)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(383,167)
The District sold pension bonds to prepay a long-term unfunded liability for current expenditures, therefore, it is not reported in the governmental funds.		70,546,266
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	(63,438)	
Note payable	(1,442,732)	
Bonds payable (net of premium and discount)	(181,926,712)	
Certificates of participation payable	(2,725,567)	
Capital leases payable	(1,655,338)	
Early retirement plan liability	(18,600)	
Net OPEB obligation	(5,622,646)	
PERS pension bonds payable	(94,900,000)	
	<hr/>	(288,355,033)
TOTAL NET POSITION		<hr/> \$ 62,592,023 <hr/>

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, 2014**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:					
Local sources:					
Property taxes	\$ 56,278,999	\$ -	\$ 28,294,963	\$ -	\$ 84,573,962
Charges for services	746,409	5,963,663	-	-	6,710,072
Earnings on investments	183,270	-	80,173	13,427	276,870
Other	537,146	2,886,950	6,884,136	194,407	10,502,639
Intermediate sources	2,546,625	428,413	-	-	2,975,038
State sources	113,662,969	2,454,277	-	-	116,117,246
Federal sources	-	14,307,594	-	-	14,307,594
Total Revenues	<u>173,955,418</u>	<u>26,040,897</u>	<u>35,259,272</u>	<u>207,834</u>	<u>235,463,421</u>
EXPENDITURES:					
Current:					
Instruction	100,304,982	10,600,053	-	-	110,905,035
Support services	68,641,909	7,294,503	-	1,383,480	77,319,892
Enterprise Services	337,114	7,598,349	-	-	7,935,463
Facilities and acquisition	-	-	-	2,639,938	2,639,938
Capital outlay	-	1,511,342	-	-	1,511,342
Debt service:					
Principal	405,000	-	21,895,000	57,268	22,357,268
Interest	127,800	-	12,960,805	11,143	13,099,748
Total Expenditures	<u>169,816,805</u>	<u>27,004,247</u>	<u>34,855,805</u>	<u>4,091,829</u>	<u>235,768,686</u>
Excess (deficiency) of revenues over expenditures and net	4,138,613	(963,350)	403,467	(3,883,995)	(305,265)
OTHER FINANCING SOURCES, (USES):					
Transfers in	1,200,000	-	-	-	1,200,000
Transfers out	-	(1,200,000)	-	-	(1,200,000)
Issuance of debt	-	-	-	1,500,000	1,500,000
Lease purchase receipts	-	1,554,058	-	-	1,554,058
Sale or compensation for loss of capital asset	17,730	-	-	-	17,730
Total Other Financing Sources (USES)	<u>1,217,730</u>	<u>354,058</u>	<u>-</u>	<u>1,500,000</u>	<u>3,071,788</u>
NET CHANGE IN FUND BALANCES	5,356,343	(609,292)	403,467	(2,383,995)	2,766,523
FUND BALANCES,					
July 1, 2013	<u>10,600,549</u>	<u>5,697,432</u>	<u>3,581,143</u>	<u>8,413,441</u>	<u>28,292,565</u>
FUND BALANCES,					
June 30, 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>

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, 2014

NET CHANGES IN FUND BALANCES \$ 2,766,523

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of activities most of the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 5,833,691	
Less current year change in accumulated depreciation	<u>(8,593,599)</u>	(2,759,908)

Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Amortization of prepaid pension costs		(5,039,019)
---------------------------------------	--	-------------

Governmental funds do not accrue interest payable, but are accrued in the government-wide statements.

54,433

Change in net pension asset

9,325

Change in net OPEB obligation

(771,808)

Change in termination benefits liability

(200,125)

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.

20,965,223

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.

584,059

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.

(429,069)

CHANGE IN NET POSITION

\$ 15,179,634

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, 2014

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, 2014

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, 2014

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 yearend.

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

Use of Estimates

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less. Short-term investments are stated at cost which approximates fair value.

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

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-term Fund Board. The purpose of the 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, 2014

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 Pension Expense

The District reports a prepaid PERS expense which represents the District's unamortized balance of its prepaid unfunded actuarial liability at June 30, 2014. This pension asset is equal to payments made from the issuance of limited tax pension bonds less accumulated amortization on the straight-line method over the life of the pension obligation bonds.

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, 2014

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 \$429,069. 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 will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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, 2014

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.

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, 2014

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 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, except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted.

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, 2014

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 was over-expended by \$1,212,706; in the Special Revenue Fund, Support Services and Capital Outlay were over-expended by \$543,213 and \$1,511,342, respectively; and in the Capital Projects Fund, Support Services and Debt Service were over-expended by \$1,383,480 and \$68,411, 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 liabilities are recorded as an expense when paid; debt is recorded as a revenue when

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stewardship, Compliance, and Accountability (Continued)

Budgetary Basis of accounting (Continued)

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, 2014:

Deposits with financial institutions:	
Demand deposits	\$ 7,630,355
Money market	3,743,859
Certificates of deposit	72,188
Investments (LGIP)	28,827,428
Total	<u>\$ 40,273,830</u>

Deposits

The District's deposits with various financial institutions at year end had a bank value of \$13,202,368 and a book value of \$11,446,402. 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, 2014

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, 2014, \$11,150,604 of the District's bank balances were covered by the PFCP, and \$1,001,182 of the credit union balances were covered by the PFCP for Credit Unions.

Investments

It is the policy 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, 2014

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, 2014.

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, 2014. 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, 2014, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
State Treasurer's Investment Pool	\$ 28,827,428	\$ 28,827,428	\$ -	\$ -
Total	\$ 28,827,428	\$ 28,827,428	\$ -	\$ -

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, 2014

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, 2014, 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, 2014

3. RECEIVABLES (Continued)

Receivables are comprised of the following:

Property taxes	\$	4,016,053
Grants		2,294,531
Interest and other		1,843,129
Total	\$	<u>8,153,713</u>

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 34,969,033	\$ 2,065,557	\$ -	\$ 37,034,590
Total capital assets not being depreciated	<u>34,969,033</u>	<u>2,065,557</u>	<u>-</u>	<u>37,034,590</u>
Capital assets being depreciated:				
Building and improvements	305,425,134	1,593,102	-	307,018,236
Original furniture and fixtures	23,479,249	-	-	23,479,249
Equipment	3,122,277	23,240	-	3,145,517
Motor vehicles	13,948,417	1,711,417	(43,500)	15,616,334
Information technology equipment	3,100,035	507,158	(23,283)	3,583,910
Total capital assets being depreciated	<u>349,075,112</u>	<u>3,834,917</u>	<u>(66,783)</u>	<u>352,843,246</u>
Less accumulated depreciation for:				
Building and improvements	(100,231,393)	(6,787,819)	-	(107,019,212)
Original furniture and fixtures	(19,299,245)	(363,510)	-	(19,662,755)
Equipment	(2,438,038)	(112,264)	-	(2,550,302)
Motor vehicles	(10,832,868)	(980,219)	43,500	(11,769,587)
Information technology equipment	(2,023,628)	(412,685)	19,398	(2,416,915)
Total accumulated depreciation	<u>(134,825,172)</u>	<u>(8,656,497)</u>	<u>62,898</u>	<u>(143,418,771)</u>
Total capital assets being depreciated, net	<u>214,249,940</u>	<u>(4,821,580)</u>	<u>(3,885)</u>	<u>209,424,475</u>
Total capital assets, net	<u>\$ 249,218,973</u>	<u>\$ (2,756,023)</u>	<u>\$ (3,885)</u>	<u>\$ 246,459,065</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

4. CAPITAL ASSETS (Continued)

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

<u>PROGRAM</u>	<u>DEPRECIATION</u>
Instruction	\$ 4,894,205
Support Services	3,412,103
Enterprise and Community Services	350,190
Total Depreciation	\$ 8,656,497

5. COMPENSATED ABSENCES

Activity for compensated absences for the year ended June 30, 2014 is as follows:

<u>Outstanding</u>			<u>Outstanding</u>	<u>Due Within</u>
<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>One Year</u>
<u>\$ 478,332</u>	<u>\$ 429,069</u>	<u>\$ (478,332)</u>	<u>\$ 429,069</u>	<u>\$ 321,802</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 \$0.9 million to \$1.7 million due to the purchase of 13 new school buses. The leased buses have a cost of \$3.7 million and have a net book value of \$2.7 million and accumulated depreciation of \$1.0 million at June 30, 2014. 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, 2014

6. CAPITAL LEASES (Continued)

<u>Description</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2013</u>	<u>Additions</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2014</u>	<u>Due Within One Year</u>
2010-11 BlueBird Bus Lease Purchase	\$ 1,462,921	\$ 597,695	\$ -	\$ 293,090	\$ 304,605	\$ 304,605
2010-11 Navistar Bus Lease Purchase	744,008	301,875	-	148,667	153,208	153,208
2013-14 US Bank Bus Lease Purchase	<u>1,507,649</u>	<u>-</u>	<u>1,507,649</u>	<u>310,124</u>	<u>1,197,525</u>	<u>292,847</u>
Total	<u>\$ 3,714,578</u>	<u>\$ 899,570</u>	<u>\$ 1,507,649</u>	<u>\$ 751,881</u>	<u>\$ 1,655,338</u>	<u>\$ 750,660</u>

Future minimum lease payments are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 750,660	\$ 36,140
2016	296,264	16,075
2017	301,528	10,811
2018	<u>306,886</u>	<u>5,453</u>
Total	<u>\$ 1,655,338</u>	<u>\$ 68,479</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

7. LONG-TERM DEBT

Long-term debt is comprised of:

	Total
Bonds payable	\$ 181,926,712
Certificates of participation	2,725,567
Capital leases payable	1,655,338
Note payable	1,442,732
Early retirement program	18,600
Net OPEB obligation	5,622,646
Net pension obligation	63,438
PERS Pension Bonds	94,900,000
Balance June 30, 2014	<u>\$ 288,355,033</u>
Due within one year	<u>24,927,159</u>
Due in more than one year	<u>\$ 263,427,874</u>

Bonds Payable

Bonds payable transactions for the year are as follows:

<u>Description</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2013</u>	<u>Additions</u>	<u>Matured and Redeemed</u>	<u>Outstanding June 30, 2014</u>	<u>Due Within One Year</u>
Hillsboro School District 1J, issued March 1, 1998, interest rate 4.0-5.0%	\$ 22,795,000	\$ 5,700,000	\$ -	\$ 2,780,000	\$ 2,920,000	\$ 2,920,000
Hillsboro School District 1J, refunding issue May 2005, interest rate 3.7 to 5.12%	78,055,000	52,405,000	-	9,160,000	43,245,000	9,565,000
Hillsboro School District 1J, issued December 19, 2006, interest rate 4.0 to 5.0%	168,996,712	44,626,712	-	7,270,000	37,356,712	7,750,000
Hillsboro School District 1J, issued November 20, 2012, interest rate 1.5-5.0%	98,950,000	98,790,000	-	385,000	\$98,405,000	390,000
Total	<u>\$ 368,796,712</u>	<u>\$ 201,521,712</u>	<u>\$ -</u>	<u>\$ 19,595,000</u>	<u>\$181,926,712</u>	<u>\$ 20,625,000</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

7. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Future maturities of bond principal and interest are as follows:

<u>For the Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 20,625,000	\$ 7,458,738
2016	19,170,000	6,562,287
2017	20,765,000	5,617,400
2018	22,490,000	4,565,125
2019	11,130,000	3,554,212
2020-24	69,130,000	10,170,100
2025-26	18,616,712	16,886,288
	<u>\$ 181,926,712</u>	<u>\$ 54,814,150</u>

In prior years, the District and certain of its predecessor districts defeased general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's basic financial statements.

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

7. LONG-TERM DEBT (Continued)

Other Long-Term Debt (Continued)

Bond proceeds were paid to the Public Employee Retirement System (PERS). An intercept agreement with the State or 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.

Description	Outstanding June 30, 2013	Increases	Decreases	Outstanding June 30, 2014	Due Within One Year
Certificate of participation	\$ 3,190,000	\$ -	\$ (405,000)	\$ 2,785,000	\$ 420,000
Unamortized discount	(74,291)	-	14,858	(59,433)	(14,858)
Net COPs	3,115,709	-	(390,142)	2,725,567	405,142
Note Payable	-	1,500,000	(57,268)	1,442,732	352,756
PERS pension bonds	97,200,000	-	(2,300,000)	94,900,000	2,775,000
Total	\$ 100,315,709	\$ 1,500,000	\$ (2,747,410)	\$ 99,068,299	\$ 3,532,898

Future maturities of principal and interest are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2015	\$ 3,532,897	\$ 4,650,313
2016	4,079,104	4,494,043
2017	4,661,054	4,311,511
2018	5,220,244	4,096,942
2019	5,565,000	3,864,700
2020-24	37,310,000	14,871,324
2025-28	38,700,000	4,292,380
Total	\$ 99,068,299	\$ 40,581,214

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

7. LONG-TERM DEBT (Continued)

Other Long-Term Debt (Continued)

Termination Benefit transactions for the year are as follows:

<u>Description</u>	<u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>One Year</u>
Early Retirement Plan	\$ 218,725	\$ 23,925	\$ (224,050)	\$ 18,600	\$ 18,600

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.
- 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 postemployment 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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

GASB Statement 27 (Continued)

The total expense for benefits to teachers and administrators retired under these programs was \$28,000 for the 2013-14 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, 2014, amount actually contributed to the plan, and changes in the net pension obligation:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Annual required contribution	\$ 59,986	\$ 62,235	\$ 39,322
Interest on net OPEB	(751)	1,305	2,911
Adjustment to ARC for Net Pension Obligation	<u>4,709</u>	<u>(8,174)</u>	<u>(18,236)</u>
Annual pension cost (APC)	63,944	55,366	23,997
Expected Contributions	<u>(12,542)</u>	<u>(15,218)</u>	<u>(33,322)</u>
Increase (Decrease) in net pension obligation	51,402	40,148	(9,325)
Net Pension Obligation (Asset) at beginning of year	<u>(18,787)</u>	<u>32,615</u>	<u>72,763</u>
Net Pension Obligation (Asset) at end of year	<u>\$ 32,615</u>	<u>\$ 72,763</u>	<u>\$ 63,438</u>
Percentage of APC Contributed	20%	27%	139%

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

Actuarial Methods and Assumptions - GASB Statement 27 (Continued)

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) 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, 2014, was actuarially determined to be \$39,322.

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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

GASB Statement 45

The District implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment 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 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:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Annual required contribution	\$ 1,944,027	\$ 2,016,928	\$ 1,713,707
Interest on net OPEB	117,789	155,399	194,064
Adjustment to ARC	<u>(101,613)</u>	<u>(134,056)</u>	<u>(167,385)</u>
Annual pension cost (APC)	1,960,203	2,038,271	1,740,356
Expected contributions	<u>1,020,011</u>	<u>1,072,385</u>	<u>968,548</u>
Increase (decrease) in net OPEB obligation	940,192	965,886	771,808
Net OPEB obligation (asset) at beginning of year	<u>2,944,760</u>	<u>3,884,952</u>	<u>4,850,838</u>
Net OPEB obligation (asset) at end of year	<u><u>\$ 3,884,952</u></u>	<u><u>\$ 4,850,838</u></u>	<u><u>\$ 5,622,646</u></u>
Percentage of APC contributed	52%	53%	56%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

Actuarial Methods and Assumptions - GASB Statement 45

Projections of benefits for financial reporting purposes are based on the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The annual required contribution (ARC) for the current year was determined as part of the July 1, 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.

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, 2014, was actuarially determined to be \$1,713,707.

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

Termination Benefits

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

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

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

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

Termination Benefits (Continued)

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

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

Program membership at year end was 16 licensed.

In accordance with GASB Statement 47, *Termination Benefits*, a liability has been determined for the plan. As of June 30, 2014, the District's potential liability for its termination benefits plan is \$18,600. No separate trust was established.

9. PENSION PLAN

The District contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post-employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700, or by calling 1-503-598-7377.

Members of PERS are required to contribute 6 percent of their salary covered under the plan. The District is required by ORS 238.225 to contribute at an actuarially determined rate. The rate effective July 1, 2013, is 15.33 percent of salary covered under the plan for Tier 1 and Tier 2 employees and 13.33 percent for employees covered under the Oregon

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

9. PENSION PLAN (Continued)

Public Services Retirement Plan (OPSRP). The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

The 2003 Oregon Legislature passed PERS reform legislation and essentially created a new retirement plan for employees hired on or after August 29, 2003.

These employees become members of the Oregon Public Service Retirement Plan (OPSRP). OPSRP is a hybrid (defined benefit/defined contribution) retirement plan with two components: the Pension Program (established and maintained as a tax-qualified governmental defined benefit plan) and the Individual Account Program (established and maintained as a tax-qualified governmental defined contribution plan). OPSRP is administered by PERS.

The District's contributions to PERS for the year ended June 30, 2014, was \$21,601,751; \$18,779,869 for the year ended June 30, 2013; and \$17,675,289 for the year ended June 30, 2012, equal to the required contributions for each year.

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, 2014, 2013, and 2012.

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, if any, of expenditures which may be disallowed by the grantor 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, 2014

11. COMMITMENTS AND CONTINGENCIES (Continued)

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

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

The District has evaluated subsequent events through December 17, 2014, 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.

12. PREPAID PENSION ASSET

PERS UAL was prepaid with a lump sum payment of \$100,780,385 in a prior year. As of June 30, 2014, \$70,546,266 was reported as Prepaid PERS UAL, which is net of accumulated amortization.

13. 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, 2014 were as follows:

General Fund	\$	212,479
Special Revenue Fund		320,481
Capital Projects Fund		34,205
Total Prepays	\$	<u>567,165</u>

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, 2014

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%

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, 2014

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
6/30/2008	\$ -	\$ 6,752,665	\$ 6,752,665	\$ -	\$ 95,660,738	7.10%
6/30/2009	-	18,504,189	8,504,189	-	105,720,063	17.50%
6/30/2011	-	18,308,786	18,308,786	-	99,444,639	18.40%
6/30/2013	-	17,162,154	17,162,154	-	99,444,639	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%

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 1J
Washington County, Oregon

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Local sources:				
Property taxes	\$ 55,426,177	\$ 55,426,177	\$ 56,278,999	\$ 852,822
Charges for services	762,200	762,200	746,409	(15,791)
Earnings on investments	260,000	260,000	183,270	(76,730)
Other	386,250	386,250	537,146	150,896
Intermediate sources	885,000	2,085,000	2,546,625	461,625
State sources	107,025,258	107,025,258	113,662,969	6,637,711
Total Revenues	164,744,885	165,944,885	173,955,418	8,010,533
EXPENDITURES:				
Instruction	99,490,830	100,344,530 (1)	100,304,982	39,548
Support services	67,085,083	67,429,203 (1)	68,641,909	(1,212,706)
Enterprise and community services	369,042	371,222 (1)	337,114	34,108
Debt service	532,800	532,800 (1)	532,800	-
Contingency	1,500,000	1,500,000 (1)	-	1,500,000
Total Expenditures	168,977,755	170,177,755	169,816,805	360,950
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(4,232,870)	(4,232,870)	4,138,613	8,371,483
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000,000	2,000,000	1,200,000	800,000
Sale or compensation for loss of fixed asset	-	-	17,730	17,730
Total other financing sources (uses)	2,000,000	2,000,000	1,217,730	817,730
NET CHANGE IN FUND BALANCE	(2,232,870)	(2,232,870)	5,356,343	7,589,213
FUND BALANCES, July 1, 2013	9,000,000	9,000,000	9,100,549	100,549
FUND BALANCES, June 30, 2014	\$ 6,767,130	\$ 6,767,130	\$ 14,456,892	\$ 7,689,762

Reconciliation to Governmental Fund Balance as required by GASB Statement 54

Ending Fund Balance:

PERS Reserve Fund

1,500,000

\$ 15,956,892

(1) Appropriation Level

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, 2014

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
REVENUES:				
Local sources:				
Construction excise tax	\$ 3,240,856	\$ 3,240,856	\$ 847,481	\$ (2,393,375)
Charges for services	5,766,798	5,766,798	5,963,663	196,865
Other	805,815	805,815	2,039,469	1,233,654
Intermediate sources	427,698	427,698	428,413	715
State sources	1,809,217	1,809,217	2,454,277 (2)	645,060
Federal sources	15,181,614	15,181,614	14,307,594	(874,020)
Total Revenues	<u>27,231,998</u>	<u>27,231,998</u>	<u>26,040,897</u>	<u>(1,191,101)</u>
EXPENDITURES:				
Instruction	11,163,319	11,344,805 (1)	10,600,053	744,752
Support services	6,390,903	6,751,290 (1)	7,294,503	(543,213)
Enterprise and community services	7,671,562	7,671,562 (1)	7,598,349	73,213
Capital outlay	-	- (1)	1,511,342	(1,511,342)
Total Expenditures	<u>25,225,784</u>	<u>25,767,657</u>	<u>27,004,247</u>	<u>(1,236,590)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	2,006,214	1,464,341	(963,350)	(2,427,691)
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	1,554,058	1,554,058
Transfers out	(2,000,000)	(2,000,000)	(1,200,000)	800,000
Total Other Financing Sources (Uses)	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>354,058</u>	<u>2,354,058</u>
NET CHANGE IN FUND BALANCE	6,214	(535,659)	(609,292)	(73,633)
FUND BALANCES, July 1, 2013	<u>1,350,432</u>	<u>1,350,432</u>	<u>5,697,432</u>	<u>4,347,000</u>
FUND BALANCES, June 30, 2014	<u>\$ 1,356,646</u>	<u>\$ 814,773</u>	<u>\$ 5,088,140</u>	<u>\$ 4,273,367</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Local sources:				
Property taxes	\$ 27,899,388	\$ 27,899,388	\$ 28,294,963	\$ 395,575
Interest on investments	70,000	70,000	80,173	10,173
Miscellaneous	6,884,417	6,884,417	6,884,136	(281)
Total Revenues	34,853,805	34,853,805	35,259,272	405,467
EXPENDITURES:				
Debt service				
Principal	21,895,000	21,895,000	21,895,000	-
Interest	12,960,805	12,960,805	12,960,805	-
Total Expenditures	34,855,805	34,855,805 (1)	34,855,805	-
NET CHANGE IN FUND BALANCE	(2,000)	(2,000)	403,467	405,467
FUND BALANCE, July 1, 2013	2,995,000	2,995,000	3,581,143	586,143
FUND BALANCE, June 30, 2014	\$ 2,993,000	\$ 2,993,000	\$ 3,984,610	\$ 991,610

(1) Appropriation Level

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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Local sources:				
Interest on investments	\$ 15,000	\$ 15,000	\$ 13,427	\$ (1,573)
Miscellaneous	-	-	194,407	194,407
	<u>15,000</u>	<u>15,000</u>	<u>207,834</u>	<u>(1,573)</u>
Intermediate sources:				
Restricted revenue	30,000	30,000	-	(30,000)
	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total Revenues	<u>45,000</u>	<u>45,000</u>	<u>207,834</u>	<u>(31,573)</u>
EXPENDITURES:				
Support services	-	-	1,383,480	(1,383,480)
Facilities acquisition and construction	4,245,000	4,245,000	2,639,938	1,605,062
Debt service				
Other	-	-	68,411	(68,411)
	<u>4,245,000</u>	<u>4,245,000</u>	<u>4,091,829</u>	<u>153,171</u>
Total Expenditures	<u>4,245,000</u>	<u>4,245,000</u>	<u>4,091,829</u> (1)	<u>153,171</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(4,200,000)	(4,200,000)	(3,883,995)	316,005
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	1,500,000	1,500,000
	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
NET CHANGE IN FUND BALANCE	(4,200,000)	(4,200,000)	(2,383,995)	1,816,005
FUND BALANCE, July 1, 2013	<u>8,500,000</u>	<u>8,500,000</u>	<u>8,413,441</u>	<u>(86,559)</u>
FUND BALANCE, June 30, 2014	<u>\$ 4,300,000</u>	<u>\$ 4,300,000</u>	<u>\$ 6,029,446</u>	<u>\$ 1,729,446</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PENSION-TRUST POST-EMPLOYMENT BENEFIT FUND

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

FOR JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local sources:				
Charges to other funds	<u>\$ 155,000</u>	<u>\$ 155,000</u>	<u>\$ -</u>	<u>\$ (155,000)</u>
EXPENDITURES:				
Support services:				
Early retirement program:				
Salaries and wages	<u>155,000</u>	<u>155,000</u>	<u>-</u>	<u>155,000</u>
Total expenditures	<u>155,000</u>	<u>155,000</u>	<u>(1) -</u>	<u>155,000</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, July 1, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, June 30, 2014	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF REVENUES - ALL FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Fund</u> <u>100</u>	<u>Fund</u> <u>200</u>
REVENUES:		
Revenue from local sources:		
1110 Ad valorem taxes paid by District	56,265,989	-
1190 Penalties and interest on taxes	13,010	-
1200 Revenue from local governments- Construction Excise Tax	-	847,481
1310 Tuition	28,319	-
1400 Transportation fees	73,414	-
1500 Earning on investments	183,270	-
1600 Food service	-	1,719,122
1700 Extracurricular activities	460,915	4,244,541
1910 Rentals	148,853	80
1920 Contributions & donations	5,194	874,240
1940 Services provided to other LEA	-	20,000
1960 Recovery of prior year	26,268	-
1970 Pension bonds	-	-
1980 Fees charged to grants	441,023	-
1990 Miscellaneous	64,661	405,149
1995 Printing revenue	34,908	-
1997 Settlements	-	740,000
Total Revenue from local sources	57,745,824	8,850,613
Revenue from intermediate sources:		
2101 County school funds	558,364	-
2103 ESD	769,489	-
2180 Strategic investment program - unrestricted	1,218,272	-
2199 Other intermediate sources	500	-
2200 Restricted revenue	-	428,413
Total Revenue from Intermediate Sources	2,546,625	428,413
Revenue from state sources:		
3101 State school fund - general support	96,056,648	-
3102 State school fund - school lunch match	6,884,136	83,918
3103 Common school fund	1,884,372	-
3104 State managed county timber	1,247,813	-
3105 State school fund - transportation grant	7,590,000	-
3200 Other Restricted grants-in-aid	-	1,074,873
3222 State school fund transportation equipment	-	810,000
3299 Other restricted grants-in-aid	-	485,486
Total revenue from state sources	113,662,969	2,454,277
Revenue from federal sources:		
4000 Federal Sources	-	55,768
4100 Unrestricted direct from federal government	-	16,248
4300 Restricted revenue from federal government	-	20,024
4500 Restricted revenue from federal government through the state	-	13,543,431
4700 Restricted revenue from federal government through intermediate sources	-	652,114
4900 Revenue for/on behalf of the District	-	20,009
Total revenue from federal sources	-	14,307,594
Revenue from other sources:		
5100 Capital Leases	-	1,554,058
5110 Bond Proceeds	-	-
5200 Transfers	1,200,000	-
5300 Sale or compensation for loss of fixed assets	17,730	-
5400 Resources - beginning fund balance	9,100,549	5,697,432
Total revenue from other sources	10,318,279	7,251,490
TOTAL REVENUES	\$ 184,273,697	\$ 33,292,387

Fund 300	Fund 400	Fund 600	Total
28,288,656	-	-	84,554,645
6,307	-	-	19,317
-	-	-	847,481
-	-	-	28,319
-	-	-	73,414
80,173	13,427	-	276,870
-	-	-	1,719,122
-	-	-	4,705,456
-	-	-	148,933
-	-	-	879,434
-	-	-	20,000
-	178,583	-	204,851
6,884,136	-	-	6,884,136
-	-	-	441,023
-	15,824	-	485,634
-	-	-	34,908
-	-	-	740,000
<u>35,259,272</u>	<u>207,834</u>	<u>-</u>	<u>102,063,543</u>
-	-	-	558,364
-	-	-	769,489
-	-	-	1,218,272
-	-	-	500
-	-	-	428,413
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,975,038</u>
-	-	-	96,056,648
-	-	-	6,968,054
-	-	-	1,884,372
-	-	-	1,247,813
-	-	-	7,590,000
-	-	-	1,074,873
-	-	-	810,000
-	-	-	485,486
<u>-</u>	<u>-</u>	<u>-</u>	<u>116,117,246</u>
-	-	-	55,768
-	-	-	16,248
-	-	-	20,024
-	-	-	13,543,431
-	-	-	652,114
-	-	-	20,009
<u>-</u>	<u>-</u>	<u>-</u>	<u>14,307,594</u>
-	1,500,000	-	3,054,058
-	-	-	-
-	-	-	1,200,000
-	-	-	17,730
<u>3,581,143</u>	<u>8,413,441</u>	<u>1,500,000</u>	<u>28,292,565</u>
<u>3,581,143</u>	<u>9,913,441</u>	<u>1,500,000</u>	<u>32,564,353</u>
<u>\$ 38,840,415</u>	<u>\$ 10,121,275</u>	<u>\$ 1,500,000</u>	<u>\$ 268,027,774</u>

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SCHEDULE OF GENERAL FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2014

		Object 100	Object 200	Object 300
EXPENDITURES:				
Instruction:				
1111	Primary programs	\$ 23,546,348	\$ 11,745,223	\$ 730,184
1112	Intermediate programs	-	-	-
1113	Elementary extracurricular	37,419	18,932	-
1121	Middle School programs	6,567,892	3,200,233	168,430
1122	Middle School extracurricular	47,608	14,161	47
1123	Middle School Saturday school	2,779	667	-
1131	High School programs	13,013,974	6,402,367	231,039
1132	High School extracurricular	1,329,168	484,558	315,526
1133	High School Saturday school	9,815	2,761	-
1210	Talented and Gifted	203,388	105,412	9,572
1220	Students with disabilities-restricted	5,625,086	3,343,758	147,715
1250	Students with disabilities - less restricted	7,106,282	4,353,876	6,086
1271	Remediation	-	-	-
1272	Title 1	3,445	3,259	-
1280	Alternative Education	989,285	476,650	1,293,767
1290	Designated Programs	4,672,017	2,609,449	11,401
Total Instruction		<u>63,154,506</u>	<u>32,761,306</u>	<u>2,913,767</u>
Support services:				
2110	Attendance and social work services	922,053	595,504	121,733
2120	Guidance Services	3,293,243	1,607,319	142,321
2130	Health Services	701,044	389,772	14,441
2140	Psychological services	358,566	168,692	83,423
2150	Speech pathology services	1,491,078	691,567	1,734
2160	Other student treatment services	-	-	93,798
2190	Service direction, student special education	60,633	14,192	(41,442)
2210	Improvement of Instructional services	233,660	62,363	583,826
2220	Educational media services	626,683	506,306	7,466
2230	Assessment and testing	77,267	17,855	92,841
2240	Instructional staff development	192,954	59,302	129,422
2310	Board of Education services	61,008	20,185	106,518
2320	Executive administration services	481,038	239,740	121,834
2410	Office of the principal services	7,815,416	4,256,792	172,711
2490	Other support services school administration	700,156	369,839	82,582
2510	Direction of business support services	469,423	270,161	79,907
2520	Fiscal services	428,892	274,962	47,078
2540	Operation and maintenance of plant	4,611,397	2,749,447	9,159,826
2550	Student transportation services	6,742,142	4,493,990	263,259
2570	Internal services	216,047	127,023	(322,554)
2620	Planning, research, and development	-	-	24,996
2630	Information/production services	240,053	104,801	66,292
2640	Staff services	417,169	762,211	95,817
2660	Technology services	1,593,379	753,154	968,907
2670	Records management services	-	-	15,788
2690	Other support services	110,960	52,899	-
2700	Early retirement program	256,250	12,769	-
Total support services		<u>32,100,511</u>	<u>18,600,845</u>	<u>12,112,524</u>
Enterprise Services				
3300	Other community services	203,142	105,720	23,714
Total community services		<u>203,142</u>	<u>105,720</u>	<u>23,714</u>
Debt service				
5110	Long-term debt service	-	-	-
Total debt service		<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES		<u>\$ 95,458,159</u>	<u>\$ 51,467,871</u>	<u>\$ 15,050,005</u>

Object 400	Object 500	Object 600	Total
\$ 482,135	\$ -	\$ 650	\$ 36,504,540
10,215	-	-	10,215
-	-	-	56,351
87,307	-	1,430	10,025,292
356	-	-	62,172
-	-	-	3,446
249,852	-	2,946	19,900,178
72,757	-	67,677	2,269,686
-	-	-	12,576
3,186	-	-	321,558
196,460	-	36,340	9,349,359
36,909	-	-	11,503,153
282	-	-	282
4	-	-	6,708
171,732	-	15,315	2,946,749
39,850	-	-	7,332,717
<u>1,351,045</u>	<u>-</u>	<u>124,358</u>	<u>100,304,982</u>
3,686	-	336	1,643,312
61,527	-	5,786	5,110,196
17,611	-	1,076	1,123,944
15,131	-	-	625,812
47,479	-	210	2,232,068
-	-	-	93,798
254,618	-	(3,634)	284,367
132,075	-	350	1,012,274
73,492	-	377	1,214,324
64,853	-	-	252,816
73,582	-	1,324	456,584
8,501	-	33,866	230,078
33,029	-	3,693	879,334
304,240	-	15,405	12,564,564
129,046	-	6,870	1,288,493
9,880	-	3,758	833,129
2,141	-	7,358	760,431
1,189,904	75,179	1,063,889	18,849,642
1,456,147	-	87,219	13,042,757
102,590	-	-	123,106
-	-	-	24,996
6,147	-	220	417,513
18,254	-	400	1,293,851
513,802	-	4,627	3,833,869
1,985	-	-	17,773
-	-	-	163,859
-	-	-	269,019
<u>4,519,720</u>	<u>75,179</u>	<u>1,233,130</u>	<u>68,641,909</u>
4,038	-	500	337,114
4,038	-	500	337,114
-	-	532,800	532,800
-	-	532,800	532,800
<u>\$ 5,874,803</u>	<u>\$ 75,179</u>	<u>\$ 1,890,788</u>	<u>\$ 169,816,805</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2014

	<u>100</u>	<u>200</u>	<u>300</u>
EXPENDITURES:			
Instruction:			
1111 Primary programs	\$ 57,459	\$ 23,300	\$ 38,814
1113 Elementary extracurricular	5,829	1,486	12
1121 Middle school programs	-	-	-
1122 Middle school extracurricular	-	-	-
1131 High school programs	58,372	16,688	35,906
1132 High school extracurricular	5,613	1,303	5,434
1133 High school Saturday school	(1,013)	(323)	-
1220 Students with disabilities - restrictive programs	1,192,412	582,203	7,703
1250 Students with disabilities - less restrictive programs	162,486	142,976	-
1272 Title I	1,478,445	827,795	55,510
1280 Alternative education	216,491	131,505	97,599
1290 Designated programs	140,504	66,792	34,364
1400 Summer school programs	140,391	39,819	56,125
Total instruction	<u>3,456,989</u>	<u>1,833,544</u>	<u>331,467</u>
Support services:			
2110 Attendance and social work services	140,751	72,423	106,818
2120 Guidance services	7,016	2,595	13,753
2130 Health services	5,632	1,647	3,468
2140 Psychological services	74,914	35,725	-
2150 Speech pathology and audiology services	65,256	30,740	-
2160 Student treatment center	201,604	97,644	-
2190 Service direction, student special education	357,717	173,056	434
2210 Improvement of instruction services	137,417	66,022	7,098
2220 Media services	-	-	-
2230 Assessment and Testing	667	194	-
2240 Instructional staff development	845,884	306,902	523,100
2410 Office of the principal services	60,443	16,554	17,795
2490 Other support services school administration	15,466	4,318	25
2540 Operation and maintenance of plant	-	-	-
2550 Student transportation services	-	-	12,167
2570 Internal Services	-	-	-
2610 Direction of central support services	486,923	190,525	1,579
2620 Planning, research and development services	8,161	1,712	2,367
2660 Technology services	43,016	28,350	-
Total support services	<u>2,450,867</u>	<u>1,028,407</u>	<u>688,604</u>
Enterprise and community services:			
3100 Food services	2,254,037	1,378,185	163,932
3300 Community services	47,007	21,768	123,849
Total enterprise and community services	<u>2,301,044</u>	<u>1,399,953</u>	<u>287,781</u>
Capital Projects			
4150 Building acquisition, construction & improvements	-	-	120,232
Total capital projects	<u>-</u>	<u>-</u>	<u>120,232</u>
TOTAL EXPENDITURES	<u>\$ 8,208,900</u>	<u>\$ 4,261,904</u>	<u>\$ 1,428,084</u>

	400	500	600	Total
\$	166,158	\$ -	\$ -	\$ 285,731
	241,497	-	-	248,824
	44,018	-	-	44,018
	233,727	-	-	233,727
	125,695	-	9,937	246,598
	3,706,963	-	10,840	3,730,153
	-	-	-	(1,336)
	66,664	-	19,423	1,868,405
	896	-	-	306,358
	178,854	-	110,883	2,651,487
	17,572	-	14,039	477,206
	12,315	-	17,451	271,426
	1,121	-	-	237,456
	<u>4,795,480</u>	<u>-</u>	<u>182,573</u>	<u>10,600,053</u>
	1,476	-	-	321,468
	65	-	-	23,429
	15,128	-	-	25,875
	-	-	-	110,639
	-	-	-	95,996
	2,044	-	100	301,392
	-	-	-	531,207
	21,257	-	2,052	233,846
	5,630	-	-	5,630
	191	-	-	1,052
	48,616	-	32,703	1,757,205
	122,786	-	50	217,628
	2,363	-	-	22,172
	-	116,716	-	116,716
	-	1,673,042	794,628	2,479,837
	-	12,996	-	12,996
	8,078	-	-	687,105
	12,868	-	-	25,108
	5,500	248,336	-	325,202
	<u>246,002</u>	<u>2,051,090</u>	<u>829,533</u>	<u>7,294,503</u>
	3,329,065	-	243,259	7,368,478
	28,007	-	9,240	229,871
	<u>3,357,072</u>	<u>-</u>	<u>252,499</u>	<u>7,598,349</u>
	-	1,398,938	(7,828)	1,511,342
	-	1,398,938	(7,828)	1,511,342
\$	<u>8,398,554</u>	<u>\$ 3,450,028</u>	<u>\$ 1,256,777</u>	<u>\$ 27,004,247</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF DEBT SERVICE FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2014

	<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:							
Other uses:							
5100 Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,855,805</u>	<u>\$ 34,855,805</u>

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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2014

	Object 100	Object 200	Object 300
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Support services			
2240 Instructional Staff Development	\$ -	\$ -	\$ 1,560
2548 Major Maintenance	-	-	182,870
2660 Technology	61,860	22,575	44,311
Total support services	<hr/> 61,860	<hr/> 22,575	<hr/> 228,741
Facilities acquisition & construction			
4110 Service area direction	218,314	98,667	3,048
4150 Building acquisition, construction, & improvement services	1,288	316	30,411
Total facilities acquisition & construction	<hr/> 219,602	<hr/> 98,983	<hr/> 33,459
Debt Services			
5100 Long-term debt service	-	-	-
TOTAL EXPENDITURES	<hr/> <hr/> \$ 281,462	<hr/> <hr/> \$ 121,558	<hr/> <hr/> \$ 262,200

Object 400	Object 500	Object 600	Total
\$ -	\$ -	\$ -	\$ 1,560
-	-	-	182,870
<u>676,958</u>	<u>393,346</u>	<u>-</u>	<u>1,199,050</u>
<u>676,958</u>	<u>393,346</u>	<u>-</u>	<u>1,383,480</u>
-	-	-	320,029
<u>37,312</u>	<u>2,250,582</u>	<u>-</u>	<u>2,319,909</u>
<u>37,312</u>	<u>2,250,582</u>	<u>-</u>	<u>2,639,938</u>
<u>-</u>	<u>-</u>	<u>68,411</u>	<u>68,411</u>
<u>\$ 714,270</u>	<u>\$ 2,643,928</u>	<u>\$ 68,411</u>	<u>\$ 4,091,829</u>

SUPPLEMENTAL INFORMATION, 2013-2014

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	\$ 3,441,392
Function 2550	\$ 21,514

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, 2014

	<u>Tax year</u>	<u>Uncollected June 30, 2013</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>
<u>GENERAL FUND</u>				
Current	2013-14	\$ -	\$ 58,069,923	\$ (1,529,913)
Prior	2012-13	1,158,764	-	(5,530)
	2011-12	602,240	-	57
	2010-11	439,924	-	9
	2009-10	261,138	-	9
	2008-09	26,607	-	3
	2007-08 & Prior	44,337	-	-
TOTAL GENERAL FUND		<u>\$ 2,533,010</u>	<u>\$ 58,069,923</u>	<u>\$ (1,535,365)</u>
<u>DEBT SERVICE FUND</u>				
Current	2013-14	\$ -	\$ 29,015,578	\$ (764,446)
Prior	2012-13	603,420	-	(2,879)
	2011-12	307,640	-	29
	2010-11	234,721	-	5
	2009-10	136,363	-	4
	2008-09	12,017	-	-
	2007-08 & Prior	18,877	-	(58)
TOTAL DEBT SERVICE FUND		<u>1,313,038</u>	<u>29,015,578</u>	<u>(767,345)</u>
TOTAL ALL FUNDS		<u>\$ 3,846,049</u>	<u>\$ 87,085,501</u>	<u>\$ (2,302,710)</u>

The accompanying notes are an integral part of this statement

Interest	Adjustments	Collections	Uncollected June 30, 2014
\$ 15,453	\$ (158,616)	\$ (55,245,092)	\$ 1,151,755
38,630	(25,073)	(606,674)	560,117
34,384	13,015	(231,446)	418,250
44,307	14,747	(211,799)	287,188
18,870	(11,830)	(67,758)	200,429
3,867	(5,307)	(11,352)	13,818
4,043	(13,335)	(11,033)	24,012
<u>\$ 159,554</u>	<u>\$ (186,399)</u>	<u>\$ (56,385,154)</u>	<u>\$ 2,655,569</u>
\$ 7,721	\$ (79,255)	\$ (27,604,105)	\$ 575,493
20,116	(13,057)	(315,922)	291,678
17,564	6,649	(118,229)	213,653
23,640	7,869	(113,005)	153,230
9,854	(6,177)	(35,382)	104,662
1,748	(2,397)	(5,127)	6,241
2,614	551	(6,457)	15,527
<u>83,257</u>	<u>(85,817)</u>	<u>(28,198,227)</u>	<u>1,360,484</u>
<u>\$ 242,811</u>	<u>\$ (272,216)</u>	<u>\$ (84,583,381)</u>	<u>\$ 4,016,053</u>

RECONCILIATION TO REVENUE:

Cash collections by county treasurer above	\$ 84,583,381
Yamhill County cash collections	12,604
Multnomah County cash collections	3,845
Accrued prior year	(382,799)
Accrued current year	321,180
Other taxes	35,751
Property tax revenue	<u>\$ 84,573,962</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	62
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	70
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
Debt Capacity	
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Demographic and Economic Information	80
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	82
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
2005 Through 2014
(accrual basis of accounting)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental activities:				
Net Investment in capital assets	\$ 64,738,162	\$ 52,287,910	\$ 31,538,602	\$ 43,279,660
Restricted for:				
Special programs	5,088,140	5,507,603	6,837,003	2,285,638
Debt service	4,854,595	3,581,143	3,358,031	3,306,895
Capital projects	-	8,413,441	13,463,581	20,296,746
Unrestricted	<u>(12,088,874)</u>	<u>(22,377,708)</u>	<u>(7,822,244)</u>	<u>(19,579,279)</u>
Total primary government net position	<u>\$ 62,592,023</u>	<u>\$ 47,412,389</u>	<u>\$ 47,374,973</u>	<u>\$ 47,304,022</u>

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 44,713,254	\$ 36,339,608	\$ 48,427,208	\$ (97,336,636)	\$ 52,183,443	\$ 48,174,979
-	-	-	-	-	-
3,654,721	5,880,421	10,827,545	6,573,042	6,745,522	7,003,798
23,710,495	39,421,641	101,584,454	177,928,489	8,357,714	-
(19,016,357)	(31,880,776)	(103,343,000)	24,783,019	23,006,941	32,384,733
<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>	<u>\$ 87,563,510</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CHANGES IN NET POSITION**Last Ten Fiscal Years****2005 Through 2014****(accrual basis of accounting)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental Activities:				
Expenses				
Instruction	\$ 113,612,720	\$ 112,947,889	\$ 111,973,461	\$ 115,345,118
Support services	79,207,615	74,174,524	70,449,859	75,113,377
Enterprise & community services	8,129,203	8,540,335	8,277,973	8,109,778
Facilities acquisition & construction	-	-	-	637,036
Interest on long-term debt	13,034,172	14,610,731	15,656,739	16,560,348
Total expenditures	<u>213,983,710</u>	<u>210,273,479</u>	<u>206,358,032</u>	<u>215,765,657</u>
PROGRAM REVENUES:				
Charges for services:				
Instruction	4,842,097	5,119,993	5,330,102	4,409,514
Support services	609,956	750,681	210,960	227,538
Enterprise & community services	1,719,122	1,672,468	1,720,616	1,739,507
Operating grants & contributions:				
Instruction	5,981,567	8,761,256	6,435,939	17,996,564
Support services	6,392,540	8,174,761	8,666,716	6,136,063
Enterprise & community services	5,522,009	5,795,967	5,788,841	6,490,380
Facilities	637,036	410,963		
Capital grants & contributions:				
Support services	-	-	-	-
Enterprise & community services	384,047	450,972	563,818	96,590
Total program revenues	<u>26,088,374</u>	<u>31,137,061</u>	<u>28,716,992</u>	<u>37,096,156</u>
Net (Expenditures)	(187,895,336)	(179,136,418)	(177,641,040)	(178,669,501)
General Revenues				
Taxes:				
Property taxes, levied for general purposes	56,664,969	53,423,125	54,224,135	51,832,676
Property taxes, levied for debt service	28,493,052	27,812,402	27,696,616	27,630,949
State School Fund - General Support	113,662,969	96,246,256	100,256,023	91,150,843
Unrestricted intermediate sources	2,546,625	871,920	1,000,000	-
Earnings on investments	276,870	283,150	261,912	387,598
Gain on sale of capital assets	-	904	-	950,007
Miscellaneous	1,430,485	536,077	794,235	2,086,912
Total general revenues	<u>203,074,970</u>	<u>179,173,834</u>	<u>184,232,921</u>	<u>174,038,985</u>
CHANGE IN NET POSITION	<u>\$ 15,179,634</u>	<u>\$ 37,416</u>	<u>\$ 6,591,881</u>	<u>\$ (4,630,516)</u>

2010	2009	2008	2007	2006	2005
\$ 113,083,611	\$ 122,478,716	\$ 110,225,767	\$ 93,429,518	\$ 90,626,555	\$ 86,376,150
72,721,956	86,269,378	77,354,276	63,574,639	57,239,269	55,864,621
8,779,813	9,457,828	9,169,942	7,378,732	9,903,601	6,284,320
-	-	65,870,014	832,064	-	-
17,242,277	17,905,207	22,257,859	11,593,839	11,798,269	3,720,541
<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>	<u>152,245,632</u>
4,256,047	4,021,721	6,390,034	1,070,606	2,126,428	4,143,996
273,337	168,919	178,773	232,335	1,858,211	430,408
1,959,373	2,041,711	2,338,045	2,355,750	2,177,939	3,700,700
12,519,540	12,342,037	8,577,163	8,795,634	4,241,207	7,378,878
1,131,494	2,379,115	3,516,952	3,036,287	3,725,767	4,715,506
6,469,855	5,267,264	5,549,384	4,334,791	4,298,360	3,447,404
-	-	109,820	527,800	404,634	348,305
80,702	71,062	95,570	-	-	-
<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>	<u>24,165,197</u>
(185,137,309)	(209,819,300)	(258,122,117)	(156,455,589)	(150,735,148)	(128,080,435)
50,085,826	48,193,154	46,040,548	43,741,370	42,262,685	40,522,887
26,101,682	21,845,630	29,560,363	14,668,594	14,812,597	15,542,605
101,051,718	101,756,724	104,687,241	86,828,447	83,972,807	63,991,989
-	-	-	-	-	-
-	-	-	-	-	-
785,940	3,312,204	9,340,104	8,194,851	2,653,853	1,446,575
11,437,792	12,067,166	7,597,249	24,676,621	9,763,319	7,965,169
<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>	<u>129,469,225</u>
<u>\$ 4,325,649</u>	<u>\$ (22,644,422)</u>	<u>\$ (60,896,612)</u>	<u>\$ 21,654,294</u>	<u>\$ 2,730,113</u>	<u>\$ 1,388,790</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

2005 Through 2014

(modified accrual basis of accounting)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
FUND BALANCES:				
Nonspendable, reported in:				
General Fund	\$ 344,243	\$ 312,262	\$ 688,343	\$ 300,725
Special Revenue Funds	534,526	189,829	227,922	572,074
Capital Projects Fund	34,205	-	-	-
Restricted, reported in:				
General fund	-	-	-	-
Special revenue funds	4,553,614	5,507,603	6,837,003	2,285,638
Debt service fund	3,984,610	3,581,143	3,358,031	3,306,895
Capital projects funds	5,995,241	8,413,441	13,463,581	20,296,746
Assigned, reported in:				
Special revenue funds	-	-	-	2,582,631
PERS Reserve	1,500,000	1,500,000	3,000,000	4,500,000
Unassigned, reported in:				
General fund	14,112,648	8,788,286	8,948,777	10,654,867
Special revenue funds	-	-	-	(358,476)
Capital projects funds	-	-	-	(368,925)
TOTAL FUND BALANCES	<u><u>\$ 31,059,088</u></u>	<u><u>\$ 28,292,564</u></u>	<u><u>\$ 36,523,657</u></u>	<u><u>\$ 43,772,175</u></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.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
364,700	383,482	666,715	219,748	245,271	238,850
499,389	235,323	218,447	170,099	182,812	882,780
3,654,721	5,880,421	10,827,545	6,573,042	7,874,004	9,073,416
23,710,495	39,421,641	101,584,454	177,928,489	8,357,714	13,204,310
-	-	-	-	-	-
-	-	-	-	-	-
17,551,703	19,658,096	22,973,345	19,668,582	20,187,310	14,730,521
2,519,865	3,597,953	3,435,749	3,672,104	2,098,654	2,454,476
-	-	-	-	-	-
<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>	<u>\$ 40,584,353</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**Last Ten Fiscal Years****2005 Through 2014**

(modified accrual basis of accounting)

	2014	2013	2012	2011
Revenues				
Property taxes	\$ 84,573,962	\$ 81,824,121	\$ 80,948,030	\$ 79,663,898
Charges for services	6,710,072	8,926,225	9,257,214	8,161,987
Earnings on investments	276,870	283,150	261,912	387,598
Other	10,502,639	7,461,433	6,524,021	7,495,766
Intermediate sources	2,975,038	1,334,511	888,300	1,378,287
State School support	116,117,246	98,162,287	101,918,660	92,378,467
Federal	14,307,594	19,461,252	18,400,804	27,566,990
Other sources	-	-	-	-
Total revenues	235,463,421	217,452,979	218,198,941	217,032,993
EXPENDITURES:				
Current operating				
Instruction	110,905,035	107,502,434	107,619,019	106,975,447
Support Services	77,319,892	70,598,413	67,710,192	69,662,999
Enterprise & community services	7,935,463	8,128,587	7,956,058	7,521,316
Facilities acquisition & construction	2,639,938	495,737	1,860,015	2,378,353
Capital outlay	1,511,342	4,020,609	6,206,632	6,905,741
Debt service				
Principal	22,300,000	20,225,000	18,365,000	17,940,000
Other	68,411	85,220	1,050	400
Payment to PERS	-	-	-	-
Interest	13,088,605	14,725,769	15,731,211	16,554,371
Total expenditures	235,768,686	225,781,769	225,449,177	227,938,627
Excess (deficiency) of revenues over expenditures and net	(305,265)	(8,328,790)	(7,250,236)	(10,905,634)
Other financing sources (uses)				
Bond proceeds	-	96,794	-	-
Sale or compensation for loss of fixed asset	17,730	904	1,718	1,804,620
Loan receipts	1,500,000	-	-	-
Capital Leases	1,554,058	-	-	2,372,318
Operating transfer in	1,200,000	3,597,417	-	700,000
Operating transfers out	(1,200,000)	(3,597,417)	-	-
Total other financing sources (uses)	3,071,788	97,698	1,718	4,876,938
NET CHANGE IN FUND BALANCES	\$ 2,766,523	\$ (8,231,092)	\$ (7,248,518)	\$ (6,028,696)
Expenditures for capital assets	\$ 5,833,691	\$ 4,084,550	\$ 8,043,533	\$ 3,132,769
Debt services as a percentage of noncapital expenditures	15.4%	15.8%	15.7%	15.3%

	2010	2009	2008	2007	2006	2005
\$	75,902,580	\$ 69,425,118	\$ 74,970,634	\$ 58,274,830	\$ 57,183,332	\$ 56,412,322
	8,197,218	8,265,066	7,009,678	3,765,885	4,778,380	6,307,762
	785,940	3,229,021	9,340,104	8,194,851	2,653,850	1,446,575
	6,977,351	6,944,129	6,726,267	1,375,754	1,605,890	3,061,354
	2,821,079	1,742,355	3,286,708	3,812,017	4,296,352	3,749,953
	101,051,718	103,156,724	104,687,241	86,835,628	83,968,676	71,857,440
	20,120,889	20,087,018	17,327,027	15,821,511	13,690,511	10,869,443
	-	-	-	186,703,215	4,560,607	103,126,403
	<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>	<u>256,831,252</u>
	106,348,362	103,425,714	99,258,155	90,028,311	87,151,646	81,088,557
	68,171,937	72,746,276	69,657,422	61,260,272	55,044,467	52,451,074
	8,256,888	8,046,600	8,257,520	7,110,119	6,294,588	5,900,323
	-	-	-	-	1,680,430	567,389
	19,620,414	66,650,915	83,737,559	15,556,452	3,025,190	4,349,203
	15,985,000	14,530,000	9,370,000	10,020,821	9,168,251	10,196,483
	30,931	30,931	30,931	38,196	-	-
	-	-	-	-	-	100,780,385
	17,306,459	17,951,944	22,040,454	11,483,228	12,011,614	5,737,725
	<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>	<u>261,071,139</u>
	(19,863,216)	(70,532,949)	(69,004,382)	169,286,292	(1,638,588)	(4,239,887)
	-	-	39,068	-	-	-
	11,602	3,610	94,242	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>11,602</u>	<u>3,610</u>	<u>133,310</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>\$ (4,239,887)</u>
\$	23,510,115	\$ 46,754,281	\$ 17,898,476	\$ 14,724,388	\$ 3,025,190	\$ 4,349,248
	15.7%	13.7%	11.5%	11.9%	12.4%	45.5%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

ASSESSED VALUE OF TAXABLE PROPERTY WITHIN SCHOOL DISTRICT BOUNDARIES

Last Ten Fiscal Years

2005 Through 2014

Market Value					
Fiscal Year Ending June 30	Real Property	Manufactured Property	Personal Property	Public Utility	Total Market Value
2005	\$ 14,738,573,962	\$ 50,838,508	\$ 498,893,923	\$ 310,996,669	\$ 15,599,303,062
2006	15,692,590,790	44,565,453	608,210,530	309,515,561	16,654,882,334
2007	17,598,385,145	42,234,530	569,322,711	336,270,664	18,546,213,050
2008	18,875,429,572	35,325,440	597,352,127	344,285,720	19,852,392,859
2009	19,574,092,456	32,349,370	662,182,294	339,169,003	20,607,793,123
2010	19,055,259,480	31,497,060	651,404,471	416,135,377	20,154,296,388
2011	18,830,265,680	31,525,110	631,207,499	446,710,065	19,939,708,354
2012	18,092,087,230	29,539,350	644,541,082	468,076,587	19,234,244,249
2013	17,798,748,230	27,705,330	681,541,930	474,366,901	18,982,362,391
2014	23,214,847,060	26,670,080	785,988,627	515,570,803	24,543,076,570

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)
\$ 8,482,860,603	\$ 6.71	\$ 56,919,995	\$ 721,284	\$ 57,641,279
8,842,271,844	6.59	58,270,571	400,466	58,671,037
9,156,346,239	6.52	59,699,377	58,996	59,758,373
9,589,976,937	6.20	59,457,857	(849,826)	58,608,031
10,098,797,357	6.29	63,521,435	(872,020)	62,649,415
10,465,349,538	6.33	66,239,809	(930,213)	65,309,595
10,912,092,039	6.40	69,803,033	(1,103,124)	68,699,931
11,371,005,915	6.29	71,457,529	(1,341,667)	70,116,457
11,456,148,320	6.30	72,086,863	(1,614,038)	70,473,816
11,981,668,967	6.28	74,985,230	(1,487,002)	73,498,520

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

2005 Through 2014

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

DIRECT:	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Hillsboro School District	\$ 6.2778	\$ 6.3034	\$ 6.2933	\$ 6.4001	\$ 6.3322	\$ 6.2936
Hillsboro School District - after 10/6/01	1.1228	1.1943	1.1730	1.1845	1.1278	0.8080
Prior School District Bonds:						
Hillsboro Elementary	-	-	-	-	-	0.0802
Reedville	-	-	-	-	0.4102	0.2617
Farmington View	-	-	-	-	-	-
North Plains	-	-	-	-	-	-
OVERLAPPING GOVERNMENTS:						
Washington County	2.3775	2.3801	2.3844	2.3898	2.3940	2.3940
Washington County - after 10/6/01	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900
Enhanced Sheriff Patrol	1.3165	1.2285	1.2477	1.2660	1.2823	1.3099
Road Maintenance	0.2456	0.2456	0.2456	0.2456	0.2456	0.2456
Port of Portland	0.0701	0.0701	0.0701	0.0701	0.0701	0.0701
City of Hillsboro	7.3330	5.1331	5.3865	5.3865	5.3865	5.3865
City of Hillsboro - after 10/6/01	3.4400	2.4080	-	-	-	-
City of North Plains	2.1712	2.1712	2.1712	2.1712	2.1712	2.1712
City of Cornelius	3.9836	3.9836	3.9836	3.9836	3.9836	4.0050
Cornelius RFPD	12.7780	1.2971	1.3097	1.3354	1.3300	1.4388
Washington County RFFD #2	1.1219	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	0.5700
Tualatin Valley Fire and Rescue	1.5252	1.5252	1.5252	1.5252	1.5252	1.5446
Tualatin Valley Fire and Rescue - after 10/6/01	0.3809	0.3893	0.4050	0.3576	0.3695	0.2988
Gaston RFPD	1.7621	1.7621	1.7621	1.7621	1.5121	1.5121
Banks RFPD	2.0051	2.0332	2.0505	2.1007	2.1324	2.1671
Forest Grove RFPD	1.3744	1.4012	1.2766	1.4262	1.4339	1.4375
Metro Service District	0.1900	0.2621	0.2277	0.2499	0.2504	0.3018
Metro Service District after 10/6/01	0.2771	0.1422	0.0877	0.1589	0.1864	0.0966
Tri-Met	-	-	0.0583	0.0878	0.0863	0.0803
Tualatin Hills Park & Recreation	1.4216	1.4224	1.7388	1.7428	1.7343	1.4291
Tualatin Hills Park & Recreation, after 10/6/01	0.3066	0.3074	-	-	-	-
Wolf Creek Water	-	-	-	-	-	-
Metro Zoo	-	-	-	-	-	-
Northwest Regional ESD	0.1538	0.1538	0.1538	0.1538	0.1538	0.1538
Portland Community College	0.4582	0.4853	0.4460	0.4628	0.4579	0.5031
Portland Community College - after 10/6/01	0.2760	0.1798	0.1521	0.1731	0.1746	-
Rainbow Lanes Road	0.4888	0.4888	0.4888	0.4888	0.4888	0.4888

Source: The Washington County Department of Assessment and Taxation.

2008	2007	2006	2005
\$ 6.1994	\$ 6.5240	\$ 6.5900	\$ 6.7059
1.8587	-	-	-
0.0829	0.0793	0.0793	0.1292
0.2493	0.2268	0.2556	0.3327
-	-	0.3408	0.3636
-	0.2706	0.0253	0.3187
2.4431	2.4494	2.8390	2.8734
0.5900	-	-	-
1.0920	1.1120	1.1300	1.1424
0.2456	0.2456	0.2456	0.2456
0.0701	0.0701	0.0701	0.0701
4.7665	4.7665	4.7665	4.7665
-	-	-	-
2.1712	2.1712	2.6385	3.1563
4.0723	4.1698	3.9836	4.3098
1.4702	1.4820	1.5307	1.5631
1.1219	1.1219	1.1219	1.1219
0.5700	-	-	-
1.5560	1.8194	1.7752	1.8259
0.3132	-	-	-
1.5121	1.5121	1.5121	1.0921
2.0321	2.0220	1.7031	1.4110
1.4409	1.4390	1.2766	1.4361
0.2683	0.2782	-	0.2838
0.1609	-	-	-
0.0856	0.0973	0.1191	0.1104
1.4341	1.4425	1.4505	1.4551
-	-	-	-
-	-	-	-
-	0.0966	0.0966	0.2838
0.1538	0.1538	0.1538	0.1538
0.5051	4.8890	0.2828	0.5099
-	-	-	-
0.4888	0.4888	0.4888	0.4888

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PRINCIPAL PROPERTY TAXPAYERS FOR WASHINGTON COUNTY

Current Year (2014) and Nine Years Prior (2005)

		2014				
Taxpayer	Name	Measure 50 Assessed Value	Taxes Levied	Percentage of HSD AV	Percentage of Washington County AV	Rank
1	Intel	\$ 1,269,464,924	\$ 21,130,140	10.60%	2.48%	1
2	Nike, Inc.	566,111,038	9,489,789	4.72%	1.11%	3
3	Portland General Electric	412,348,330	6,589,948	3.44%	0.81%	4
4	Pacific Realty Associates	308,313,428	5,085,493	2.57%	0.60%	5
5	Comcast Corporation	267,863,300	4,773,357	2.24%	0.52%	
6	Northwest Natural Gas Co.	299,588,240	4,648,262	2.50%	0.59%	6
7	Frontier Communications	249,585,000	4,172,510	2.08%	0.49%	
8	Fred Meyer Stores, Inc.	149,478,380	2,681,994	1.25%	0.29%	
9	Maxim Integrated Products	142,394,136	2,332,591	1.19%	0.28%	10
10	PPR Washington Square LLC	134,845,690	2,330,143	1.13%	0.26%	
	Verizon Northwest, Inc.					2
	PS Business Parks LP					7
	Novellus Systems, Inc.					8
	Tektronix, Inc.					9
	All other Washington County	<u>47,381,923,624</u>	<u>63,234,226</u>		7.43%	
Total Washington County		<u>\$ 51,181,916,090</u>	<u>\$ 63,234,226.32</u>			
Hillsboro School District		<u>\$ 11,981,668,967</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.

Source: Washington County Department of Assessment and Taxation.

2005

<u>Taxable Assessed Value</u>	<u>Percentage of HSD AV</u>	<u>Percentage of Washington County AV</u>
\$ 1,027,637,443	12.11%	2.87%
329,849,222	3.89%	0.92%
313,884,752	3.70%	0.88%
217,217,649	2.56%	0.61%
	0.00%	0.60%
215,906,610	2.55%	0.60%
	0.00%	0.00%
	0.00%	0.00%
119,067,880	1.40%	0.33%
	0.00%	0.00%
350,286,971	4.13%	0.98%
134,810,420	1.59%	0.38%
128,605,306	1.52%	0.36%
128,403,922	1.51%	0.36%
<u>32,827,312,018</u>	91.71%	
<u>\$ 35,792,982,193</u>		
<u>\$ 8,482,960,603</u>		

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

2005 Through 2014

<u>Fiscal Year</u>	<u>Net Taxes</u>	<u>Collected within the Fiscal Year of Levy</u>		<u>Collection in</u>	<u>Tax Collections to Date</u>	
<u>Ending</u>	<u>Levied for the</u>		<u>Fiscal Year of Levy</u>	<u>Subsequent</u>		<u>Percentage of</u>
<u>June 30</u>	<u>Fiscal Year</u>	<u>Amount</u>	<u>Percent of Levy</u>	<u>Years</u>	<u>Amount</u>	<u>Levy</u>
2005	\$ 57,641,279	\$ 54,715,305	94.92%	\$ 829,264	\$ 55,544,569	96.36%
2006	58,671,037	55,799,603	95.11%	1,113,177	56,912,780	97.00%
2007	59,923,244	57,060,099	95.22%	1,275,439	58,335,538	97.35%
2008	77,461,189	73,547,415	94.95%	1,916,107	75,463,522	97.42%
2009	71,924,928	67,817,843	94.29%	2,392,879	70,210,722	97.62%
2010	78,263,542	73,894,785	94.42%	2,834,138	76,728,923	98.04%
2011	81,827,938	77,466,427	94.67%	2,820,359	80,286,786	98.12%
2012	83,738,165	79,664,870	95.14%	2,885,316	82,550,186	98.58%
2013	84,325,790	80,516,253	95.48%	1,215,194	81,731,447	96.92%
2014	87,085,501	82,849,198	95.14%	221,443	83,070,641	95.39%

Taxes extended less discounts allowed

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

RATIO OF BONDED DEBT TO ASSESSED PROPERTY VALUE

**Last Ten Fiscal Years
2005 Through 2014**

Fiscal Year	General Obligation Bonds	Certificates of Participation	PERS Pension Bonds	Total District	Per ADMw	Per Capita	Total Net Assessed Valuation	Average Daily Membership
2005	\$ 139,604,501	\$ 5,556,397	\$ 102,850,000	\$ 248,010,898	\$ 13,035	\$ 2,275	\$ 8,482,860,603	18,437
2006	130,569,579	5,302,971	102,850,000	238,722,550	12,371	2,077	8,842,271,844	18,711
2007	287,242,352	5,034,545	102,850,000	395,126,897	20,273	3,016	9,156,346,239	18,997
2008	278,762,595	4,827,537	102,740,000	386,330,132	19,766	3,291	9,589,976,937	19,122
2009	265,497,826	4,487,395	102,330,000	372,315,221	18,580	2,762	10,098,797,357	19,530
2010	250,616,712	4,799,266	101,600,000	357,015,978	17,759	2,759	10,465,349,538	19,767
2011	234,111,712	6,538,184	100,520,000	341,169,896	16,851	2,615	10,912,092,039	19,765
2012	217,576,712	5,105,060	99,065,000	321,746,772	15,871	2,517	11,371,005,915	19,850
2013	201,521,712	5,628,130	97,200,000	304,349,842	15,365	2,297	11,456,148,320	19,809
2014	188,175,000	5,882,366	94,900,000	288,957,366	14,512	2,245	11,981,668,967	19,911

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

FOR THE YEAR ENDED JUNE 30, 2014

<u>Overlapping Issuer</u>	<u>Net Property-Tax Backed Debt</u>	<u>Percent Overlapping</u>	<u>Net Overlapping Debt</u>
Chemeketa Community College	\$ 95,155,000	0.0034%	\$ 3,235
Multnomah County	183,565,000	0.0007%	1,285
Metro	222,955,000	6.3204%	14,091,648
Tri-Met	-	0.0000%	-
Portland Community College	167,875,000	9.2713%	15,564,195
Washington County SD 13 (Banks)	16,757,495	0.0567%	9,501
Washington County	20,235,000	22.1556%	4,483,186
Tualatin Hills Park & Rec District	96,683,112	1.7739%	1,715,062
Forest Grove RFPD	-	0.0000%	-
Gaston RFPD	-	0.0000%	-
Banks Fire District 13	625,000	2.7619%	17,262
Tualatin Valley Fire & Rescue District	42,600,000	3.2440%	1,381,944
City of Hillsboro	35,595,000	87.2904%	31,071,018
City of North Plains	250,000	100.0000%	250,000
Chehalem Park & Rec District	2,750,000	0.0169%	465
City of Cornelius	2,025,000	31.9886%	647,769
Northwest Regional ESD	-	0.0000%	-
Port of Portland	-	0.0000%	-
Yamhill County	-	0.0000%	-
Yamhill County Housing Authority	-	0.0000%	-
Subtotal, overlapping debt			<u>69,236,570</u>
Direct District net property tax backed debt			<u>279,611,712</u>
Total direct and overlapping debt			<u><u>\$ 348,848,282</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

2005 Through 2014

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Debt Limit	\$ 1,951,376,163	\$ 1,415,000,484	\$ 1,497,006,122	\$ 1,497,006,112
Total net debt applicable to the limit	<u>276,826,712</u>	<u>298,721,712</u>	<u>316,641,712</u>	<u>334,631,712</u>
Legal debt margin	<u>\$ 1,674,549,451</u>	<u>\$ 1,116,278,772</u>	<u>\$ 1,180,364,410</u>	<u>\$1,162,374,400</u>
Total net debt applicable to the limit as a percentage of debt limit	14.19%	21.11%	21.15%	22.35%

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

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,514,893,129	\$ 1,556,140,350	\$ 1,578,265,232	\$ 1,399,071,619	\$ 1,247,560,967	\$ 1,243,730,043
<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>248,025,005</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>	<u>\$ 995,705,038</u>
23.25%	23.64%	24.11%	27.95%	18.59%	19.94%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

2005 Through 2014

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars) (Estimated)</u>	<u>Personal Income</u>	<u>Unemployment Rate</u>
2005	109,000	Not Available	Not Available	6.00%
2006	114,948	\$2,619,320	\$22,787	5.10%
2007	131,018	3,099,362	23,656	4.90%
2008	117,402	2,889,028	24,608	5.60%
2009	134,801	3,640,571	27,007	11.30%
2010	129,407	3,233,752	24,989	10.50%
2011	130,459	3,310,397	25,375	9.50%
2012	127,825	3,448,207	26,976	8.50%
2013	132,506	3,479,343	26,258	7.60%
2014	128,709	3,457,911	26,866	6.00%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PRINCIPAL EMPLOYERS FOR THE PORTLAND, OREGON, METROPOLITAN AREA

Current Year (2014) and Nine Years Ago (2005)

<u>Employer</u>	<u>2014</u>			<u>2005</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.	16,700	1	1.56%	14,150	1	1.48%
Providence Health System	14,132	2	1.32%	13,475	2	1.40%
Oregon Health & Science University	14,106	3	1.32%	11,500	3	1.20%
Fred Meyer Stores	10,176	4	0.95%	9,492	4	0.99%
Kaiser Permanente	9,896	5	0.93%	7,816	6	0.81%
Legacy Health System	9,835	6	0.92%	8,051	5	0.84%
Nike	7,000	7	0.66%	4,500	8	0.47%
Wells Fargo	4,794	8	0.45%			
US Bank	4,000	9	0.37%	4,097	10	0.43%
Daimler Trucks Northwest	2,800	10	0.26%			
Safeway				6,000	7	0.63%
Tektronix				4,301	9	0.45%
Sub-total of ten largest employers	93,439		8.75%	83,382		8.69%
All other Employers	974,961		91.25%	875,718		91.31%
Total Portland-Vancouver-Hillsboro MSA Employment	1,068,400		100.00%	959,100		100.00%

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
2005 Through 2014

<u>Fiscal Year</u>	<u>Certified</u>	<u>Classified</u>	<u>Administrative</u>	<u>Total</u>
2005	985	1,050	67	2,102
2006	1,044	1,050	67	2,161
2007	1,105	1,062	73	2,240
2008	1,110	1,076	73	2,259
2009	1,105	902	77	2,084
2010	1,099	869	76	2,044
2011	1,102	889	74	2,065
2012	1,060	897	69	2,026
2013	957	960	69	1,986
2014	929	954	69	1,952

(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

2005 Through 2014

<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>
2005	18,437	39%	\$ 7,189	19
2006	18,711	40%	7,499	18
2007	18,997	36%	7,947	17
2008	19,122	42%	7,948	17
2009	19,530	44%	8,176	18
2010	19,767	50%	7,846	18
2011	19,765	50%	7,996	18
2012	19,850	49%	8,043	19
2013	19,809	47%	8,140	19
2014	19,911	49%	8,531	20

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

STUDENT ENROLLMENT AND CAPITAL ASSET STATISTICS**Last Ten Fiscal Years****2005 Through 2014**

School/(Year Opened)	Square Footage	Fiscal Year Enrollment				
		2014	2013	2012	2011	2010
Brookwood Elementary (1953)	43,041	360	382	411	443	445
Imlay Elementary (2002)	69,435	524	561	560	590	609
Butternut Creek Elementary (1977)	34,840	389	400	414	414	412
Patterson Elementary (2000)	69,435	477	486	513	548	552
Orengo Elementary (2000)	69,435	629	581	531	515	438
Indian Hills Elementary (1979)	40,219	444	437	446	449	451
Reedville Elementary (1922)	16,247	229	228	248	247	276
David Hill Elementary (1943)	27,828	Closed	Closed	Closed	Closed	Closed
Eastwood Elementary (1978)	49,163	510	497	486	486	473
Farmington View Elementary (1950)	22,867	222	215	225	220	224
Free Orchards (2008)	73,500	481	484	488	499	487
Jackson Elementary (1990)	50,767	548	531	508	527	535
L.C. Tobias Elementary (1992)	50,000	517	488	491	523	524
Groner Elementary (1949)	32,402	140	154	156	175	171
Lenox Elementary (1949)	51,074	435	432	444	427	390
McKinney Elementary (1970)	49,163	468	501	516	497	474
Minter Bridge Elementary (1980)	49,163	512	482	500	464	427
Moobery Elementary (1963)	49,496	479	485	475	493	488
North Plains Elementary (1954)	46,913	298	305	288	313	311
Peter Boscow Elementary (1912)	67,752	Closed	Closed	Closed	Closed	Closed
Rosedale Elementary (2009)	73,700	394	370	364	350	363
Quatama Elementary (2008)	73,100	547	531	533	556	638
Ladd Acres Elementary (1968)	60,825	506	515	520	571	548
Lincoln Street Elementary (2008)	73,400	574	594	579	543	522
W.L. Henry Elementary (1968)	52,813	426	455	490	451	467
West Union Elementary (1948)	42,757	283	306	310	314	305
Old Witch Hazel Elementary	Demolished	n/a	n/a	n/a	n/a	n/a
Witch Hazel Elementary (2003)	69,435	608	569	530	559	544
Brown Middle School (1963)	95,414	738	796	828	821	859
Evergreen Middle School (1981)	120,000	829	804	794	827	855
Hillsboro Online Academy (2012)	8,500	170	90	n/a	n/a	n/a
Thomas Middle School (1928)	Demolished	Closed	Closed	n/a	n/a	n/a
South Meadows Middle School (2009)	153,000	747	740	800	748	750
Poynter Middle School (1959)	83,200	746	722	690	706	678
Miller Ed Junior High (1959)	9,560	17	22	14	19	22
Century High School (1997)	265,000	1,669	1,631	1,674	1,584	1,537
Glencoe High School (1980)	240,000	1,615	1,603	1,594	1,580	1,554
Liberty High School (2003)	288,897	1,429	1,399	1,362	1,289	1,244
Hilhi High School (1969)	253,652	1,352	1,361	1,418	1,426	1,470
Miller Ed High School (1958)	20,552	57	76	77	72	60
		<u>20,369</u>	<u>20,235</u>	<u>20,273</u>	<u>20,246</u>	<u>20,103</u>

Source:

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

2009	2008	2007	2006	2005
457	535	566	558	566
617	541	659	655	654
451	449	439	442	456
515	733	654	677	642
424	605	594	552	567
443	385	407	369	382
291	346	366	360	388
Closed	262	337	321	311
472	481	505	534	557
215	209	226	248	269
472	-	-	-	-
537	620	656	632	612
543	550	563	577	567
191	192	206	191	212
402	425	440	439	395
503	536	533	509	503
461	442	362	406	401
513	516	543	504	513
320	332	310	333	351
Closed	355	388	388	392
-	-	-	-	-
513	-	-	-	-
636	647	603	612	592
545	-	-	-	-
605	594	616	592	546
312	402	349	358	300
n/a	n/a	n/a	n/a	n/a
645	609	489	431	401
919	899	875	892	903
886	873	778	774	794
	n/a	n/a	n/a	n/a
543	524	544	550	503
-	-	-	-	-
775	782	713	760	764
17	19	16	15	16
1,524	1,454	1,493	1,460	1,587
1,490	1,427	1,444	1,464	1,516
1,270	1,264	1,269	1,171	847
1,481	1,477	1,478	1,444	1,438
50	60	69	79	81
<u>20,038</u>	<u>19,545</u>	<u>19,490</u>	<u>19,297</u>	<u>19,026</u>

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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

TEACHER DATA

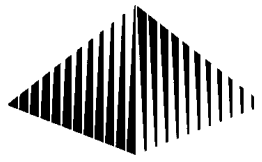
2013-14 SCHOOL YEAR

Education	Step	FTE	Salary
BA	3	6.92	\$36,587
BA	4	2.00	\$38,050
BA	5	4.59	\$39,571
BA	6	4.50	\$41,155
BA	7	4.25	\$42,801
BA	8	0.00	\$44,513
BA	9	1.00	\$46,293
BA	10	6.00	\$48,145
BA	11	2.00	\$50,070
BA	12	0.30	\$52,074
BA	13	1.70	\$54,382
BA	14	15.60	\$55,468
BA+24	3	2.00	\$37,685
BA+24	4	0.17	\$39,192
BA+24	5	0.83	\$40,760
BA+24	6	1.00	\$42,390
BA+24	7	5.50	\$44,085
BA+24	8	0.25	\$45,850
BA+24	9	0.00	\$47,683
BA+24	10	3.00	\$49,590
BA+24	11	1.00	\$51,573
BA+24	12	5.00	\$53,636
BA+24	13	4.00	\$56,015
BA+24	14	14.25	\$57,135
BA+45	3	0.55	\$38,814
BA+45	4	0.00	\$40,367
BA+45	5	1.00	\$41,982
BA+45	6	0.00	\$43,660
BA+45	7	0.00	\$45,408
BA+45	8	1.00	\$47,223
BA+45	9	0.00	\$49,112
BA+45	10	1.20	\$51,077
BA+45	11	0.80	\$53,120
BA+45	12	0.00	\$55,244
BA+45	13	0.00	\$57,453
BA+45	14	3.00	\$59,752
BA+45	15	4.00	\$62,141
BA+45	16	2.00	\$64,627
BA+45	17	14.00	\$65,919
MA	3	45.70	\$39,981
MA	4	22.10	\$41,580
MA	5	17.10	\$43,243
MA	6	14.93	\$44,973
MA	7	28.33	\$46,772

Education	Step	FTE	Salary
MA	8	22.43	\$48,642
MA	9	32.88	\$50,588
MA	10	20.97	\$52,612
MA	11	39.20	\$54,716
MA	12	18.70	\$56,905
MA	13	19.97	\$59,181
MA	14	29.47	\$61,549
MA	15	18.30	\$64,010
MA	16	22.50	\$66,571
MA	17	20.77	\$69,232
MA	18	81.47	\$70,616
MA+24	3	2.00	\$41,179
MA+24	4	4.00	\$42,827
MA+24	5	5.00	\$44,540
MA+24	6	8.00	\$46,321
MA+24	7	5.58	\$48,173
MA+24	8	16.97	\$50,101
MA+24	9	16.50	\$52,104
MA+24	10	16.39	\$54,189
MA+24	11	12.42	\$56,356
MA+24	12	7.30	\$58,610
MA+24	13	8.50	\$60,954
MA+24	14	16.40	\$63,292
MA+24	15	12.90	\$65,927
MA+24	16	10.06	\$68,565
MA+24	17	2.00	\$71,307
MA+24	18	49.43	\$72,733
MA+45	3	0.00	\$42,413
MA+45	4	2.00	\$44,110
MA+45	5	3.20	\$45,875
MA+45	6	3.00	\$47,709
MA+45	7	0.00	\$49,618
MA+45	8	15.60	\$51,604
MA+45	9	9.47	\$53,667
MA+45	10	9.30	\$55,813
MA+45	11	7.37	\$58,046
MA+45	12	10.77	\$60,368
MA+45	13	7.47	\$62,783
MA+45	14	12.33	\$65,294
MA+45	15	8.50	\$67,906
MA+45	16	13.60	\$70,622
MA+45	17	17.35	\$73,446
MA+45	18	95.52	\$74,914

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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 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, 2014, 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 17, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

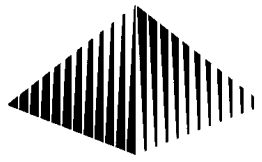
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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


CERTIFIED PUBLIC ACCOUNTANTS

December 17, 2014



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, 2014. 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, 2014.

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 17, 2014

HILLSBORO SCHOOL DISTRICT 1J
Washington County

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Period</u>		<u>Revenue and Expenditures</u>
			<u>Begin Date</u>	<u>End Date</u>	
U.S. Department of Agriculture					
Passed through Oregon Department of Education					
Child Nutrition Cluster					
School Breakfast Program (SBP)	10.553	3408001	7/1/2013	6/30/2014	\$ 1,174,055
National School Lunch Program (NSLP)	10.555	3408001	7/1/2013	6/30/2014	4,055,742
Summer Food Service Program For Children (SFSPC)	10.559	3408001	7/1/2013	6/30/2014	127,419
Total Child Nutrition Cluster					<u>5,357,216</u>
Total U.S. Department of Agriculture					<u>5,357,216</u>
U.S. Department of Labor					
Passed through Work Systems, Inc.					
WIA Cluster					
WIA Youth Activities	17.259	13-50100	7/1/2013	6/30/2014	468,062
Total WIA Cluster					<u>468,062</u>
Total U.S. Department of Labor					<u>468,062</u>
U.S. Department of Education					
Direct:					
Small Learning Communities	84.215L	S215L080556	8/8/2008	6/30/2014	72,954
Indian Education - Grants to Local Educational Agencies	84.060A	S060A132526	7/1/2013	6/30/2014	16,248
Total Direct					<u>89,202</u>
Passed through University of Oregon					
Evaluation of State and Local Education Programs	84.305E	224001D	9/1/2010	6/30/2014	46,807
Total Passed through University of Oregon					<u>46,807</u>
Office of Vocational Rehabilitation Services					
Youth Transition Program	84.126a	143291	7/1/2013	6/30/2014	77,785
Total Office of Vocational Rehabilitation Services					<u>77,785</u>
Passed through Oregon Department of Education:					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies (LEAs)					
Title IA	84.010	25263	7/1/2012	9/30/2013	207,635
Title IA	84.010	28143	7/1/2013	9/30/2014	3,241,483
Title ID	84.010	28263	7/1/2013	9/30/2014	14,656
Targeted Other Title I Lincoln Street	84.010	30719	12/1/2013	9/30/2014	422
Targeted Other Title I WL Henry	84.010	30725	12/1/2013	9/30/2014	13,168
2012-13 Focus Improvement - Brookwood Elementary	84.010	26898	8/1/2012	9/30/2013	15,658
2012-13 Focus Improvement - Reedville Elementary	84.010	26899	8/1/2012	9/30/2013	3,474
2013-14 Focus Improvement - Brookwood Elementary	84.010	28319	7/1/2013	9/30/2014	35,048
2013-14 Focus Improvement - Reedville Elementary	84.010	28320	7/1/2013	9/30/2014	34,256
Total Title I, Part A Cluster					<u>3,565,800</u>
Migrant Education - State Grant Program					
Title IC - Migrant Education	84.011	25377	7/1/2012	9/30/2013	20,984
Title IC - Migrant Education	84.011	29957	7/1/2013	9/30/2014	349,076
Title IC - Migrant Education - Preschool	84.011	25396	7/1/2012	9/30/2013	6,802
Title IC - Migrant Education - Preschool	84.011	29976	7/1/2013	9/30/2014	23,477
Title IC - Migrant Education - Summer	84.011	27282	5/1/2013	9/30/2013	272,699
Title IC - Migrant Education - Summer	84.011	31056	5/1/2014	9/30/2014	77
					<u>673,115</u>
Office of Special Education and Rehabilitative Services					
Special Education Cluster (IDEA)					
IDEA - Part B Section 611	84.027	26692	7/1/2012	9/30/2014	1,045,765
IDEA - Part B Section 611	84.027	28453	7/1/2013	9/30/2015	1,732,302
IDEA Enhancement 2012-13	84.027	26483	10/1/2012	9/30/2013	927
IDEA Enhancement 2013-14	84.027	29787	10/1/2013	9/30/2014	11,595
Extended Assessment 2013-14	84.027	27646	9/1/2013	6/30/2014	9,000
SPR&I	84.027	27885	8/1/2013	6/30/2014	9,097
					<u>2,808,686</u>

HILLSBORO SCHOOL DISTRICT 1J
Washington County

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

Special Education Preschool Grants						
IDEA - Part B Section 619 2012-13	84.173	26272	7/1/2012	9/30/2014	\$ 15,474	
					15,474	
Total Special Education Cluster (IDEA)					2,824,160	
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	102,635	
					102,635	
Office of Educational Improvement and Innovation						
Homeless Education Program						
Title X McKinney Vento	84.196	31050	7/1/2013	9/30/2014	45,751	
					45,751	
English Language Acquisition Grants						
Title III - Language Instruction	84.365	25129	7/1/2012	9/30/2013	2,280	
Title III - Language Instruction	84.365	30014	7/1/2013	9/30/2014	363,582	
					365,862	
Improving Teacher Quality State Grants						
Title IIA - Teacher Quality	84.367	25489	7/1/2012	9/30/2013	120,895	
Title IIA - Teacher Quality	84.367	28659	7/1/2013	9/30/2014	385,362	
					506,257	
Total Special Education Passed Through Oregon Department of Education					8,083,580	
Total U.S. Department of Education					8,297,374	
U.S. Department of Health & Human Services						
Direct:						
CAF-SSP (My Future My Choice) - ARRA	93.235	142674	7/1/2013	6/30/2014	19,013	
HEY! Together Coalition	93.276	5H79SP014666-05	9/30/2008	9/30/2013	20,024	
Total Direct					39,037	
Passed through Washington County:						
Social Services Block Grant	93.667	705015-7020420	7/1/2013	6/30/2014	29,339	
Promoting Safe and Stable Families	93.556	705015-7020580	7/1/2013	6/30/2014	26,429	
Total Passed Through Washington County					55,768	
Passed through the Oregon Employment Department						
CCDF Cluster						
Child Care and Development Block	93.575	9841	7/1/2013	6/30/2014	89,042	
Quality Improvement	93.575	9841	7/1/2013	6/30/2014	904	
Total CCDF Cluster					89,946	
Total Passed Through Oregon Employment Department					89,946	
Passed through the Oregon Department of Education:						
Kindergarten Readiness Assessment - ARRA	93.708	27482	3/1/2012	8/30/2013	191	
Total Pass-Through from Oregon Department of Education					191	
Total U.S. Department of Health and Human Services					184,942	
TOTAL Federal Financial Assistance					\$ 14,307,594	

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

HILLSBORO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

84.010
17.259

Title I – Grants to Local Educational Agencies
WIA Youth Activities

Dollar threshold used to distinguish between type A and type B programs:	\$429,228
Auditee qualified as low-risk auditee?	Yes

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

HILLSBORO SCHOOL DISTRICT 1J, HILLSBORO, OREGON
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

2013-FS-1

Condition: There was a lack of evidenced review and approval of the bank reconciliations.

Criteria: The monthly bank reconciliations should be reviewed and approved by a party independent of the preparation process, and that review should be documented.

Effect: If bank reconciliations are not reviewed and approved there exists the chance that the cash may be misappropriated or misstated.

Cause: The District did not allocate adequate resources to allow it to implement a control structure which allows for review and approval of the monthly bank reconciliation by an independent party.

Recommendations: We recommend all monthly bank reconciliations be reviewed and approved by an independent party from the preparer. Additionally, this review and approval should be documented.

Current Year update: Bank reconciliations are being reviewed and approved by an individual independent of the bank reconciliation preparation function within the District.

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, 2014, and have issued our report thereon dated December 17, 2014.

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, five 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 17, 2014