

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2013



Hillsboro School District 1J

3083 NE 49th Place
Hillsboro, Oregon

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the Fiscal Year Ended June 30, 2013**

*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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Washington County, Oregon

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Washington County, Oregon

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December 20, 2013

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

In accordance with the provisions of Oregon Revised Statutes, Sections 297.405 to 297.555 and 297.990, known as the Municipal Audit Law, submitted herewith is the Comprehensive Annual Financial Report for Hillsboro School District 1J, Washington County, Oregon, for the fiscal year ended June 30, 2013.

This report was prepared by the Hillsboro 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 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 (GAAP) 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 are complete and reliable in all material respects, including all funds,

account groups, and financial transactions, and are presented fairly to disclose the financial position, results of operations, and cash flows of the District on June 30, 2013, and for the fiscal year then ended.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

THE DISTRICT

Hillsboro School District 1J was formed in July 1996 through the unification of a union high school district and its six feeder elementary school districts. The unification was accomplished under a plan developed and approved by the governing bodies of each of the seven prior districts 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.

Hillsboro School District 1J, a fiscally independent entity, is organized with a seven-member elected Board of Directors and a Board-appointed budget committee. In 2012-13, the management staff consisted of 1 superintendent, 2 assistant superintendents, 5 executive directors, 4 directors, 1 chief financial officer, 1 chief technology officer, 35 principals, and 12 assistant principals. The Board of Directors hires all management staff members. The District also employs 957 teachers and 960 support staff, including instructional assistants, secretaries, clerks, bus drivers, cooks, custodians, maintenance workers, and various other professional and technical staff members. The District operates 25 elementary schools, 4 middle schools, 4 high schools, and 2 alternative schools.

The District is located approximately 18 miles west of Portland, Oregon, and 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 132,506. 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 1,730, or an average of approximately .96 percent per year, during the last decade.

School Year	Average Daily Membership
2012-13	19,809
2011-12	19,850
2010-11	19,765
2009-10	19,767
2008-09	19,530
2007-08	19,122
2006-07	18,997
2005-06	18,711
2004-05	18,437
2003-04	18,079

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 Oregon Legislature 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, Oregon voters 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 were reduced to the lower of either 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 the Hillsboro School District was established at \$4.9749 per thousand of assessed value.

Ballot 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 required 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 subsequent bienniums. Measure 50’s ultimate impact on the District 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 the programs we provide to students and patrons. Stability is achieved through the following actions:

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

This long-term financial plan has been developed by the Board of Directors and the appointed budget committee. The financial plan is also supported by the District's administrative team, 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 the Board of Directors developed a 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 2012-13 fiscal year, Hillsboro School District focused on maintaining financial stability within the District while refocusing staffing and resources to promote increased student achievement. This objective included protecting the integrity of the District's programs against financial uncertainties while adequately addressing student population growth within the District.

Oregon's school finance system involves a formula that pays for the average daily enrollment of students in various categories. The formula includes local property taxes and state payments as the principle sources of revenue. The State of Oregon depends on

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 principle sources of revenue. The State of Oregon depends on personal income tax to provide its share of this revenue. The Oregon legislature originally appropriated \$5.72 billion for K-12 allocations for the 2011-2013 biennium, a decrease of approximately 0.7 percent over the 2009-2011 biennium.

FINANCIAL INFORMATION

Accounting Policies:

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they are "measurable" and "available." "Measurable" means the amount of the transaction can be determined; "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property tax revenue and proceeds from the sale of property are not considered available and, therefore, are not recognized until received.

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

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

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

The accrual and modified accrual basis of accounting as utilized by the District 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.

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 Pauly, Rogers, and Co., 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 Hillsboro School District 1J for its comprehensive annual financial report (CAFR) for the fiscal year

ended June 30, 2012. This was the eighteenth 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 2013 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.

ACKNOWLEDGEMENTS

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 Hillsboro School District.

Respectfully submitted,



Michael Scott
Superintendent of Schools



Adam D. 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, 2012

Executive Director/CEO

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

OFFICIALS OF THE DISTRICT

JUNE 30, 2013

BOARD OF DIRECTORS

<u>Position</u>	<u>Name</u>	<u>Term Expiration</u>
Position 1	Janeen Sollman, Chair	June 30, 2013
Position 2	Carolyn Ortman	June 30, 2013
Position 3	Monte Akers	June 30, 2013
Position 4	Kim Strelchun, Vice Chair	June 30, 2015
Position 5	Adriana Cañas	June 30, 2015
Position 6	Rebecca Lantz	June 30, 2013
Position 7	Wayne Clift	June 30, 2015

All Board members receive mail at the address below:

DISTRICT ADMINISTRATION

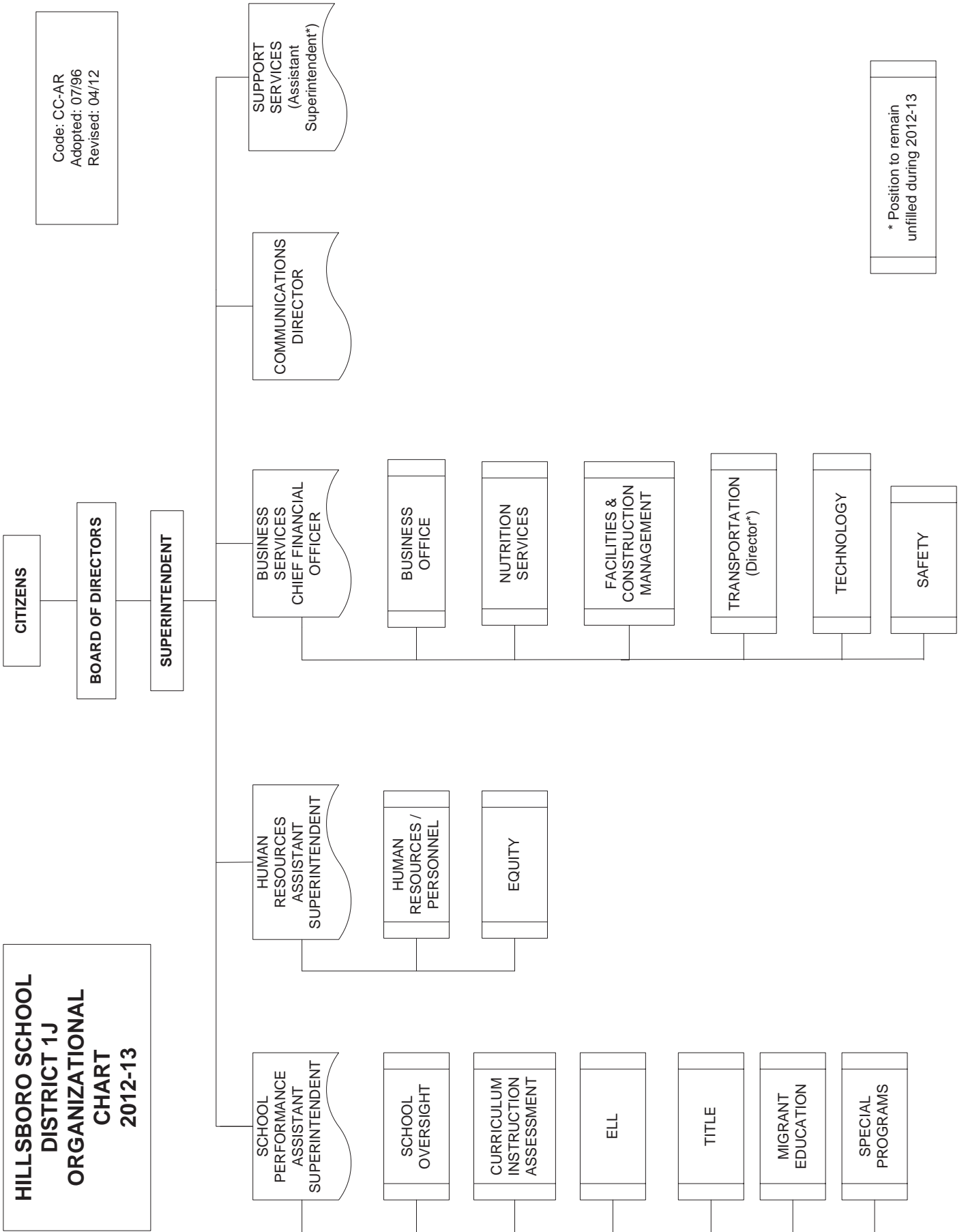
Mike Scott, Superintendent – Clerk
Adam Stewart, Chief Financial Officer – Deputy Clerk

DISTRICT ADDRESS

3083 NE 49th Place
Hillsboro, Oregon 97124

**HILLSBORO SCHOOL
DISTRICT 1J
ORGANIZATIONAL
CHART
2012-13**

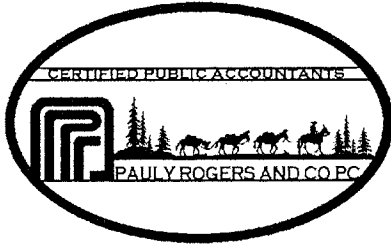
Code: CC-AR
Adopted: 07/96
Revised: 04/12



* Position to remain unfilled during 2012-13

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(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

December 20, 2013

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hillsboro School District No. 1J
Washington County, 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 No. 1J, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' 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 auditors' 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 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 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 No. 1J, as of June 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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 Management's Discussion and Analysis or the Schedules of Funding Progress and Employer Contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 supplementary information, as listed in the table of contents 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 supplementary information, as listed in the table of contents and the schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Other Information

The introductory section, statistical section, and the other information, as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 20, 2013 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports 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. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 20, 2013, on our consideration of 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.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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.

FINANCIAL HIGHLIGHTS (REVIEW)

- In the government-wide statements, the assets exceeded the liabilities of the District by \$47.4 million. Of this amount, \$52.3 million represents the District's investment in capital assets, \$5.5 million is restricted for special programs, \$3.6 million for debt service, \$8.4 million for Capital projects, and the (\$22.4) million balance is unrestricted and available to meet the District's ongoing obligations to citizens and creditors.
- For the fiscal year ended June 30, 2013, the District's total current and other assets decreased by \$17.8 million. This decrease is primarily due to a \$5 million reduction in Receivables and a \$5 million reduction in Prepaid PERS Unfunded Liability and a \$2 million reduction of General Fund cash and investments.
- In addition, this marks the fourth 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 \$4,850,838 and the Net Pension Liability to be \$72,763 as of June 30, 2013.
- The District's governmental funds show a combined ending fund balance of \$28.3 million, a reduction of \$8.2 million in comparison with the prior year. The reduction is primarily attributable to the use of capital project reserves and PERS Reserves to balance the 2012-13 budget. At the end of the fiscal year, the unassigned fund balance for the general fund was \$8.8 million or about 5.45 percent of total general fund expenditures.
- The District's total current and long-term debt decreased by \$17.8 million during the 2012-13 fiscal year.

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

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. The Statement of Net Position presents information on all of the assets and liabilities of the District at year end. Net position is what remains after the liabilities have been recognized as expenses. 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:

- Governmental Activities. Most 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, bond proceeds, and other intergovernmental revenues.

The government-wide financial statements can be found on pages 17 and 18 of this report.

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 categorized as governmental funds.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

- **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 19 and 21 of this report.

Notes to the 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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

Supplemental information. Schedules presenting detailed budgetary information for individual funds and other supplemental information can be found on pages 52-59 of this report.

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 \$47.4 million at June 30, 2013.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 67.25 percent of total assets. The remaining assets consist mainly of investments, cash, grants, property taxes receivable, and unamortized bond issuance costs.

The District's largest liability (95.3 percent) is for the repayment of general obligation and pension bonds. Current liabilities, representing about 4.7 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 is reflected in 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 (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

Hillsboro School District 1J			
Net Position			
(in thousands)			
	Government Activities		Increase (Decrease)
	2013	2012	from Fiscal 2012
Current and other assets	\$ 121,343	\$ 134,146	\$ (12,803)
Capital assets	249,219	254,220	(5,001)
Total assets	<u>370,562</u>	<u>388,366</u>	<u>(17,804)</u>
Current liabilities	15,270	14,282	988
Long-term debt outstanding	307,879	326,709	(18,830)
Total liabilities	<u>323,150</u>	<u>340,991</u>	<u>(17,841)</u>
Net position:			
Net investment in capital assets	52,288	31,539	20,749
Restricted	17,502	23,658	(6,152)
Unrestricted	(22,378)	(7,822)	(14,560)
Total net position	<u>\$ 47,412</u>	<u>\$ 47,375</u>	<u>\$ 37</u>

During the current fiscal year, the District's net position increased by \$37,416.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**FOR THE YEAR ENDED JUNE 30, 2013**

Governmental activities. The key elements of the change in the District's net position for the year ended June 30, 2013, are as follows:

Hillsboro School District 1J			
Changes in Net Position			
(in thousands)			
	<u>Governmental Activities</u>		Increase (Decrease) from Fiscal 2012
	2013	2012	
Revenues:			
Program revenues:			
Charges for services	\$ 7,543	\$ 7,262	\$ 281
Operating grants and contributions	23,143	20,891	2,252
Capital grants and contributions	451	564	(113)
General revenues:			
Property taxes	81,236	81,921	(685)
State school fund - general support	96,246	100,256	(4,010)
Unrestricted state and local sources	872	-	872
Earnings on investments	283	262	21
Gain on sale of capital assets	1	1,000	(999)
Miscellaneous	536	794	(258)
Total revenues	<u>\$ 210,311</u>	<u>\$ 212,950</u>	<u>\$ (2,639)</u>
Expenses:			
Instruction	\$ 112,948	\$ 111,973	\$ 975
Support Services	74,175	70,450	3,725
Enterprise and community services	8,540	8,278	262
Interest on long-term debt	14,611	15,657	(1,046)
Total Expenses	<u>\$ 210,273</u>	<u>\$ 206,358</u>	<u>\$ 3,915</u>
Change in net position	\$ 37	\$ 6,592	\$ (6,555)
Net position - July 1	47,375	49,590	(2,215)
Prior Period Adjustment	-	(8,807)	8,807
Net position - June 30	<u>\$ 47,412</u>	<u>\$ 47,375</u>	<u>\$ 37</u>

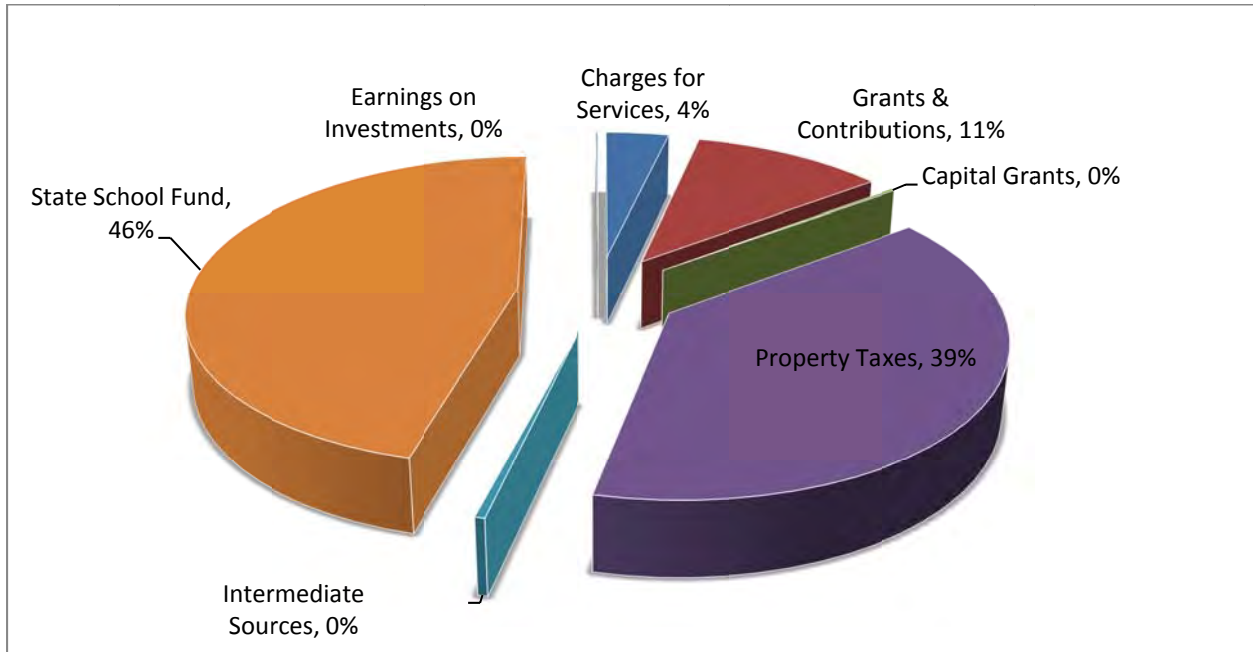
HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



- State School Fund revenue decreased \$4.0 million, a decrease of 4.0 percent from 2011-12.
- Investment earnings decreased by \$0.021 million, reflecting a continuation of low interest rates and fewer Capital Improvement funds to invest.
- Grants and Contributions increased by \$2.14 million, an increase of 10.0 percent from 2011-12.

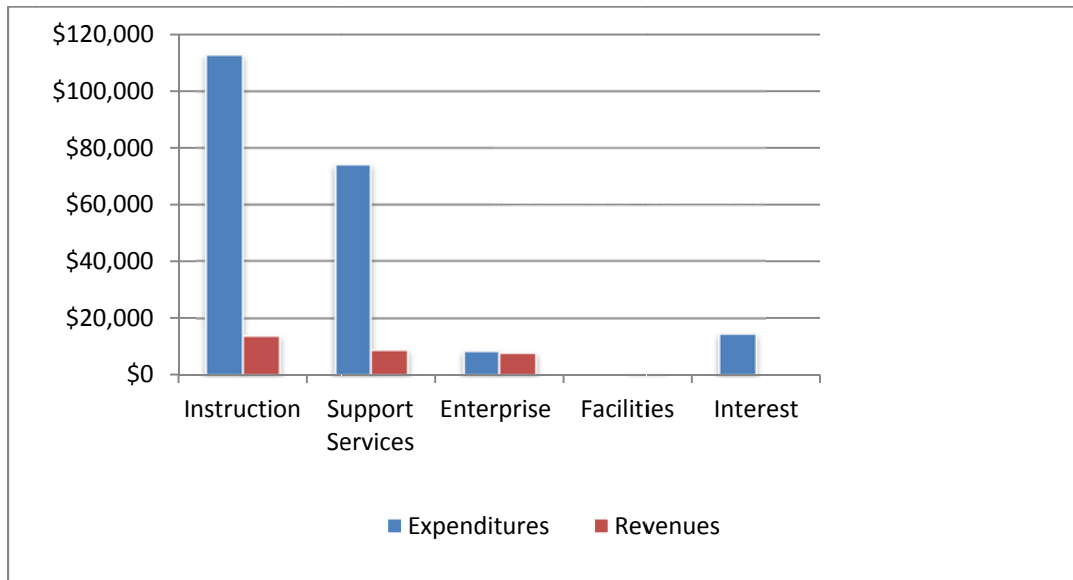
HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



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, 2013, the District's governmental funds reported combined ending fund balances of \$28.3 million, a decrease of \$8.2 million in comparison with the prior year. About \$8.8 million (31.0 percent) of the ending fund balance constitutes unassigned ending fund balance, which is available for spending at the District's discretion. About \$8.4 million (29.7 percent) of the ending fund balance is restricted for capital projects. An additional \$3.6 million (12.7 percent) is restricted for debt service obligations, and \$5.5 million is restricted for special programs.

HILLSBORO SCHOOL DISTRICT 1J

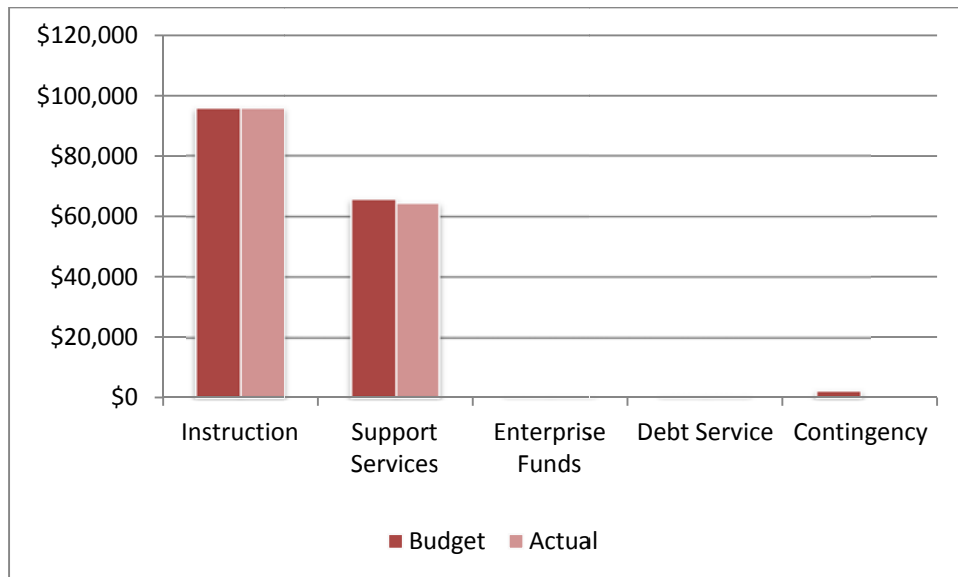
Washington County, Oregon

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

- **General Fund.** The General Fund is the chief operating fund of the District. As of June 30, 2013, total fund balance was \$10.6 million. As a measure of the fund’s liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 6.6 percent of total General Fund expenditures. The fund balance decreased by \$2.0 million during the current fiscal year. This decrease was due primarily to an increase in district expenditures and relatively flat district revenues.
- **Special Revenue Fund.** At June 30, 2013, the fund balance was \$5.7 million, which is a decrease of \$1.4 million from the prior year.
- **Debt Service Fund.** The Debt Service Fund has a total fund balance of \$3.6 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 \$0.22 million. The \$3.6 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 \$8.4 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 \$5.05 million. The decrease is reflective of planned expenditures spent on construction projects that occurred during the year.

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



HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund adopted budget for the fiscal year ended June 30, 2013, was unchanged during the fiscal year. During the year expenditures were about \$3.9 million less than budgeted.

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, 2013, the District had invested over \$249 million in capital assets, net of depreciation, as shown in the following table:

Hillsboro School District 1J				
Capital Assets				
(in thousands)				
				Increase (Decrease)
Governmental Activities				from
	2013	2012		Fiscal 2012
Land	\$ 34,969	\$ 34,784	\$	185
Buildings and improvements	205,194	208,638		(3,444)
Vehicles and equipment	9,056	10,709		(1,653)
Construction in progress	<u>-</u>	<u>89</u>		<u>(89)</u>
Total	\$ 249,219	\$ 254,220	\$	(5,001)

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

Additional information regarding the District's capital assets can be found on page 35 of this report.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$308 million, consisting of general obligation bonds, certificate of participation notes, post retirement obligations, and PERS pension bonds net of unamortized premium/discount.

Hillsboro School District 1J Outstanding Debt (in thousands)			
	Governmental activities		Increase/ Decrease from Fiscal 2012
	2013	2012	
General obligation bonds	\$201,522	\$217,577	\$(16,055)
Certificates of participation	4,015	5,105	(1,090)
Early retirement program	219	1,078	(859)
Net pension obligation	73	33	(33)
PERS pension bonds	97,200	99,065	(1,865)
Postretirement obligations	4,851	3,885	966
TOTAL	\$307,879	\$326,742	\$(18,863)

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 \$1.415 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 beginning in Note 5 on page 36 of this report.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the State School Fund – General Support provided 54.9 percent of the District's program resources. The state is funded almost entirely by income tax revenue, and therefore the volatility of the economy directly impacts funding for K-12 education.

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 in 2005 that spread the liability through 2028 and increased the long-term debt of the District. For the 2013-2015 biennium, initially the District was anticipating 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 2013-2015 biennium will be 21.8 percent of payroll.

The licensed contract with the Hillsboro Education Association (HEA) extends from 2010-13. The District and HEA signed a one-year Memorandum of Understanding for the 2011-12 per the contract which calls for a re-opener for salaries and benefits for year (2012-13). A new two-year contract between the District and HEA had been approved for the 2013-15 time period. 2012-13 was the first year of a three year contract between the District and Hillsboro Classified United (HCU) that covers the 2012-15 school years. The contract called for an economic reopener (salaries and benefits) in year 2 and year 3 of the agreement. The District and HCU were able to reach agreement on economic language for both year 2 and year 3 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 2012-13 decreased by 38 students over 2011-12.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2013

REQUESTS FOR INFORMATION

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

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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

STATEMENT OF NET POSITION

AT JUNE 30, 2013

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 37,347,821
Receivables	7,907,856
Supply inventory	300,708
Prepaid PERS unfunded liability	75,585,285
Prepaid expenses	201,383
Capital assets:	
Not being depreciated	34,969,033
Being depreciated, net of accumulated depreciation	214,249,940
Total assets	<u>\$ 370,562,026</u>
LIABILITIES:	
Accounts payable	\$ 2,282,915
Accrued payroll, payroll taxes and employee withholdings	11,760,555
Accrued interest payable	437,600
Construction retainage	187,277
Unearned revenue	123,642
Accrued compensated absences payable	
Due within one year	358,749
Due in more than one year	119,583
Long-term debt:	
Due within one year	22,726,899
Due in more than one year	285,152,417
Total liabilities	<u>\$ 323,149,637</u>
NET POSITION:	
Net investment in capital assets	52,287,910
Restricted for special programs	5,507,603
Restricted for debt service	3,581,143
Restricted for capital projects	8,413,441
Unrestricted	(22,377,708)
TOTAL NET POSITION	<u>\$ 47,412,389</u>

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTION	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Instruction	\$ 112,947,889	\$ 5,119,993	\$ 8,761,256	\$ -	\$ (99,066,640)
Support services	74,174,524	750,681	8,174,761	-	(65,249,082)
Community services	8,540,335	1,672,468	5,795,967	450,972	(620,928)
Facilities acquisition and construction	-	-	410,963	-	410,963
Interest on long-term debt	14,610,731	-	-	-	(14,610,731)
TOTAL GOVERNMENT ACTIVITIES	\$ 210,273,479	\$ 7,543,142	\$ 23,142,947	\$ 450,972	(179,136,418)
GENERAL REVENUES:					
Property taxes levied for general purposes					53,423,125
Property taxes levied for debt service					27,812,402
State School Fund - general support					96,246,256
Unrestricted intermediate sources					871,920
Earning on Investments					283,150
Gain on sale of capital assets					904
Miscellaneous					536,077
TOTAL GENERAL REVENUES					179,173,834
CHANGE IN NET POSITION					37,416
NET POSITION, July 1, 2012					47,374,973
NET POSITION, JUNE 30, 2013					\$ 47,412,389

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, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS					
Cash and investments	\$ 18,158,994	\$ 4,402,607	\$ 6,180,292	\$ 8,605,928	\$ 37,347,821
Receivables	3,975,590	2,618,756	1,313,510	-	7,907,856
Inventory	114,786	185,922	-	-	300,708
Prepaid items	197,476	3,907	-	-	201,383
Due from other funds	2,848,500	-	-	-	2,848,500
TOTAL ASSETS	\$ 25,295,346	\$ 7,211,192	\$ 7,493,802	\$ 8,605,928	\$ 48,606,268
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 876,220	\$ 1,390,118	\$ 2,750	\$ 13,827	\$ 2,282,915
Accrued payroll, payroll taxes and employee withholdings	11,760,555	-	-	-	11,760,555
Construction retainage	8,617	-	-	178,660	187,277
Unearned revenue	2,049,405	123,642	1,061,409	-	3,234,456
Due to other funds	-	-	2,848,500	-	2,848,500
TOTAL LIABILITIES	14,694,797	1,513,760	3,912,659	192,487	20,313,703
FUND BALANCES:					
Nonspendable:					
Inventory	114,786	185,922	-	-	300,708
Prepaid items	197,476	3,907	-	-	201,383
Restricted for:					
Special Programs	-	5,507,603	-	-	5,507,603
Debt Services	-	-	3,581,143	-	3,581,143
Capital Projects	-	-	-	8,413,441	8,413,441
Assigned for:					
PERS Reserve	1,500,000	-	-	-	1,500,000
Unassigned	8,788,287	-	-	-	8,788,287
TOTAL FUND BALANCES	10,600,549	5,697,432	3,581,143	8,413,441	28,292,565
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,295,346	\$ 7,211,192	\$ 7,493,802	\$ 8,605,928	\$ 48,606,268

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, 2013

TOTAL FUND BALANCES		\$ 28,292,565
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Capital assets	\$ 384,044,145	
Accumulated depreciator	<u>(134,825,172)</u>	
		249,218,973
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.		3,110,814
The District sold pension bonds to prepay a long-term unfunded liability for current expenditures, therefore, it is not reported in the governmental funds.		75,585,285
Net pension asset (obligation)		(72,763)
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:		
Accrued interest payable	(437,600)	
Bonds payable (net of premium and discount)	(201,521,712)	
Certificates of participation payable	(4,015,278)	
Early retirement plan liability	(218,725)	
Net OPEB obligation	(4,850,838)	
PERS pension ponds payable	(97,200,000)	
Accrued compensated absences payable	<u>(119,583)</u>	
		<u>(308,363,736)</u>
TOTAL NET POSITION		<u>\$ 47,771,138</u>

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:					
Local sources:					
Property taxes	\$ 53,810,876	\$ -	\$ 28,013,245	\$ -	\$ 81,824,121
Charges for services	525,352	8,400,873	-	-	8,926,225
Earnings on investments	182,385	-	82,607	18,158	283,150
Other	922,928	-	6,538,505	-	7,461,433
Intermediate sources	883,539	450,972	-	-	1,334,511
State sources	96,246,256	1,916,031	-	-	98,162,287
Federal sources	3,136,955	16,324,297	-	-	19,461,252
Total Revenues	155,708,291	27,092,173	34,634,357	18,158	217,452,979
EXPENDITURES:					
Current:					
Instruction	95,813,158	11,689,276	-	-	107,502,434
Support services	64,134,560	6,463,853	-	-	70,598,413
Enterprise Services	369,240	7,759,347	-	-	8,128,587
Facilities and acquisition	-	-	-	495,737	495,737
Capital outlay	386,941	2,547,190	-	1,086,478	4,020,609
Debt service:					
Other	-	-	85,220	-	85,220
Principal	385,000	-	19,840,000	-	20,225,000
Interest	142,950	-	14,582,819	-	14,725,769
Total Expenditures	161,231,849	28,459,666	34,508,039	1,582,215	225,781,769
Excess (deficiency) of revenues over expenditures	(5,523,558)	(1,367,493)	126,319	(1,564,057)	(8,328,790)
Other financing sources, (Uses):					
Bond Proceeds	-	-	96,794	-	96,794
Transfers in	3,500,000	83,500	-	13,917	3,597,417
Transfers out	(13,917)	(83,500)	-	(3,500,000)	(3,597,417)
Sale or compensation for loss of fixed asset	904	-	-	-	904
Total Other Financing Sources, (Uses)	3,486,987	-	96,794	(3,486,083)	97,698
NET CHANGE IN FUND BALANCE	(2,036,571)	(1,367,493)	223,113	(5,050,140)	(8,231,092)
FUND BALANCES,					
July 1, 2012	12,637,120	7,064,925	3,358,031	13,463,581	36,523,657
FUND BALANCES,					
June 30, 2013	\$ 10,600,549	\$ 5,697,432	\$ 3,581,143	\$ 8,413,441	\$ 28,292,565

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 NET ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2013

NET CHANGES IN FUND BALANCES \$ (8,231,092)

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 capitalized	\$ 4,084,550	
Depreciation	(8,485,527)	
Loss on Disposal of capital assets	<u>(600,424)</u>	
		(5,001,401)

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.	115,038
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Change in net pension asset	(40,148)
-----------------------------	----------

Change in net OPEB obligation	(965,886)
-------------------------------	-----------

Change in termination benefits liability	(858,775)
--	-----------

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 Position. Additions to bond principal and post retirement
obligations are an expense for the Statement of Net Position but not the
governmental funds.

20,727,331

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.

(612,690)

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.

(55,942)

CHANGE IN NET POSITION

\$ 37,416

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, 2013

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 nonexchange transactions.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (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.
- **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 IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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 60 days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and 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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 banker's acceptances and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). Banker's acceptances are stated at amortized cost, which approximates fair value. 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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2013. 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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay, including related payroll taxes, is accrued when earned in the government-wide financial statements. The total liability for compensated absences due within one year is approximately \$478,332. 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 positions 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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

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

Fund Balance

In March 2009, the GASB issued Statement 54, Fund Balance Reporting and Governmental Fund-type Definitions. The objective of this statement 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 – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable 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).

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

- 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.

- 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.

There were no committed fund balances at June 30, 2013.

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 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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stewardship, Compliance, and Accountability (Continued)

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

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

Instruction	Debt Service
Support Services	Operating Contingency
Enterprise Funds	Transfers Out
Facilities/Construction	

Expenditures of the various funds were within authorized appropriations except the Special Revenue Fund, Capital Outlay was over-expended by \$1,110,821; Debt Service Fund, Debt Service was over-expended by \$83,494; and Capital Projects Fund, Capital Outlay was over-expended by \$622,215.

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 OPEB, compensated absences and accrued interest liabilities are recorded as an expense when paid and debt is recorded as a revenue when borrowed and an expense when paid, inventory and capital outlay expenditures are expensed when purchased, depreciation and amortization are not recorded, and property taxes are recorded as revenue when received.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

2. CASH AND INVESTMENTS

Deposits

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Oregon State Treasury.

Credit Risk

In the case of deposits, there is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2013, the bank balance totaled \$22,436,423, of which \$1,137,185 was insured by the FDIC and the remainder was covered by collateral. No bank deposits were exposed to custodial credit risk because they were held at an approved depository as identified by the Oregon State Treasury. At June 30, 2013, the credit union balance totaled \$999,965, of which \$250,000 was insured by the NCUA and the remainder was uninsured. The credit union balance exceeded the maximum amount allowed by ORS 295.

Cash and investments are comprised of:

Cash on hand	\$	4,229
Deposits with financial institutions:		
Demand deposits		9,485,422
Money market		10,483,628
Certificates of deposit		1,270,763
Investments (LGIP)		16,103,779
Total	<u>\$</u>	<u>37,347,821</u>

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,

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

2. CASH AND INVESTMENTS (Continued)

Investments (Continued)

skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund 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, 2013.

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, 2013. 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, 2013, 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	\$ 16,103,779	\$ 16,103,779	\$ -	\$ -
Total	<u>\$ 16,103,779</u>	<u>\$ 16,103,779</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

2. CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

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 District’s investments in U.S. Government Agencies were rated AAA by Standard & Poor’s and Aaa by Moody’s Investor Service. 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 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, 2013, 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 IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

3. RECEIVABLES (Continued)

Receivables are comprised of the following:

Property taxes	\$	3,846,049
Grants		2,397,219
Interest and other		1,664,588
Total	<u>\$</u>	<u>7,907,856</u>

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

<u>Capital Assets Year Ended June 30, 2013</u>	<u>Restated Balance July 1, 2012</u>	<u>Increase</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 34,784,008	\$ 185,025	\$ -	\$ 34,969,033
Construction in Progress	89,037	-	(89,037)	-
Total capital assets not being depreciated	<u>34,873,045</u>	<u>185,025</u>	<u>(89,037)</u>	<u>34,969,033</u>
Capital assets being depreciated:				
Building and improvements	302,192,742	3,232,392	-	305,425,134
Original furniture and fixtures	23,479,249	-	-	23,479,249
Equipment	3,115,499	6,778	-	3,122,277
Motor vehicles	14,898,351	147,959	(1,097,893)	13,948,417
Information technology equipment	2,587,639	512,396	-	3,100,035
Total capital assets being depreciated	<u>346,273,480</u>	<u>3,899,525</u>	<u>(1,097,893)</u>	<u>349,075,112</u>
Less accumulated depreciation for:				
Building and improvements	(93,554,686)	(6,676,707)	-	(100,231,393)
Original furniture and fixtures	(18,935,735)	(363,510)	-	(19,299,245)
Equipment	(2,308,880)	(129,158)	-	(2,438,038)
Motor vehicles	(10,496,668)	(922,706)	586,506	(10,832,868)
Information technology equipment	(1,630,182)	(393,446)	-	(2,023,628)
Total accumulated depreciation	<u>(126,926,151)</u>	<u>(8,485,527)</u>	<u>586,506</u>	<u>(134,825,172)</u>
Total capital assets being depreciated, net	<u>219,347,329</u>	<u>(4,586,002)</u>	<u>(511,387)</u>	<u>214,249,940</u>
Total capital assets, net	<u>\$ 254,220,374</u>	<u>\$ (4,400,977)</u>	<u>\$ (600,424)</u>	<u>\$ 249,218,973</u>

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

4. CAPITAL ASSETS (Continued)

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

<u>PROGRAM</u>	<u>DEPRECIATION</u>
Instruction	\$ 4,898,339
Support Services	3,216,810
Enterprise and Community Services	370,378
Total depreciation	<u><u>\$ 8,485,527</u></u>

5. LONG-TERM DEBT

Long-term debt is comprised of:

Bonds payable	\$ 201,521,712
Certificates of participation	4,015,279
Net Termination Benefits	218,725
Net OPEB obligation	4,850,838
Net pension obligation	72,763
PERS pension bonds	97,200,000
Balance June 30, 2013	<u><u>\$ 307,879,317</u></u>
Due within one year	\$ 22,726,899
Due in more than one year	285,152,418
Total	<u><u>\$ 307,879,317</u></u>

Bonds Payable

Bonds payable transactions for the year are as follows:

Description	Original Issue	Outstanding July 1, 2012	Additions	Matured and Redeemed	Outstanding June 30, 2013	Due Within One Year
Hillsboro School District 1J, issued March 1, 1998, interest rate 4.0-5.0%	\$ 22,795,000	\$ 8,340,000	\$ -	\$ 2,640,000	\$ 5,700,000	\$ 2,780,000
Hillsboro School District 1J refunding issue May 2005, interest 3.7-5.12%	78,055,000	60,885,000	-	8,480,000	52,405,000	9,160,000
Hillsboro School District 1J issued December 19, 2006, interest at 4.0-5.0%	168,996,712	148,351,712	-	103,725,000	44,626,712	7,270,000
Hillsboro School District 1J, issued November 20, 2012, interest rate 1.5-5.0%	98,950,000	-	98,950,000	160,000	98,790,000	385,000
Total	<u><u>\$ 368,796,712</u></u>	<u><u>\$ 217,576,712</u></u>	<u><u>\$ 98,950,000</u></u>	<u><u>\$ 115,005,000</u></u>	<u><u>\$ 201,521,712</u></u>	<u><u>\$19,595,000</u></u>

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

5. LONG-TERM DEBT (Continued)

Future maturities of bond principal and interest are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013-14	\$ 19,595,000	\$ 8,376,389
2014-15	20,625,000	7,458,739
2015-16	19,170,000	6,562,308
2016-17	20,765,000	5,617,400
2017-18	22,490,000	4,565,125
2018-23	64,475,000	12,829,912
2023-26	<u>34,401,712</u>	<u>14,283,929</u>
TOTAL	<u>\$ 201,521,712</u>	<u>\$ 59,693,802</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

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.

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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

5. LONG-TERM DEBT (Continued)

Other Long-Term Debt (Continued)

Future maturities of principal are as follows:

Description	Outstanding July 1, 2012	Increases	Decreases	Outstanding June 30, 2013	Due Within One Year
Certificate of participation	\$ 5,302,239	\$ -	\$ (1,212,668)	\$ 4,089,571	\$ 846,757
Unamortized discount	(197,179)	-	122,887	(74,292)	(14,858)
Net COPs	<u>5,105,060</u>	<u>-</u>	<u>(1,089,781)</u>	<u>4,015,279</u>	<u>831,899</u>
PERS pension bonds	99,065,000	-	(1,865,000)	97,200,000	2,300,000
Total	<u>\$ 104,170,060</u>	<u>\$ -</u>	<u>\$ (2,954,781)</u>	<u>\$ 101,215,279</u>	<u>\$ 3,131,899</u>

Fiscal Year Ending June 30, 2013	Principal	Interest
2013-14	\$ 3,131,899	\$ 4,744,922
2014-15	3,637,955	4,609,255
2015-16	3,710,142	4,452,542
2016-17	4,275,142	4,286,960
2017-18	4,885,141	4,089,992
2018-23	33,800,000	16,462,412
2023-28	<u>47,775,000</u>	<u>6,565,992</u>
TOTAL	<u>\$ 101,215,279</u>	<u>\$ 45,212,075</u>

Termination Benefit transactions for the year are as follows:

Description	Outstanding July 1, 2012	Increases	Decreases	Outstanding June 30, 2013	Due Within One Year
Early Retirement Plan	<u>\$ 1,077,500</u>	<u>\$ -</u>	<u>\$ (858,775)</u>	<u>\$ 218,725</u>	<u>\$ 218,725</u>

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

5. LONG-TERM DEBT (Continued)

Other Long-Term Debt (Continued)

Activity for compensated absences for the year ended June 30, 2013 are as follows:

Description	Outstanding July 1, 2012	Increases	Decreases	Outstanding June 30, 2013	Due Within One Year
Compensated Absences	\$ 422,390	\$ 478,332	\$ (422,390)	\$ 478,332	\$ 358,749

6. 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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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

GASB Statement 27

The District implemented GASB Statement 27, *Accounting and Financial Reporting by Employers for Pensions*, for the fiscal year ended June 30, 2008. This implementation allows the District to report its liability for other 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.

The total expense for benefits to teachers and administrators retired under these programs was \$939,628 for the 2012-13 school year. The District covers these obligations through annual appropriations to an Early Retirement Trust Fund.

Program membership at year end was 0 licensed, 0 classified, and 7 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, 2013, amount actually contributed to the plan, and changes in the net pension obligation:

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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

GASB Statement 27 (Continued)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual required contribution	\$ 30,879	\$ 59,986	\$ 62,235
Interest on NPO	(2,324)	(751)	1,305
Adjustment to ARC	<u>19,434</u>	<u>4,709</u>	<u>(8,174)</u>
Annual pension cost (APC)	47,989	63,944	55,366
Expected Contributions	<u>(8,667)</u>	<u>(12,542)</u>	<u>(15,218)</u>
Increase (Decrease) in net pension obligation	39,322	51,402	40,148
Net Pension Obligation (asset) at beginning of year	<u>(58,109)</u>	<u>(18,787)</u>	<u>32,615</u>
Net Pension Obligation (asset) at end of year	<u>\$ (18,787)</u>	<u>\$ 32,615</u>	<u>\$ 72,763</u>
Percentage of APC contributed	18%	20%	27%

Actuarial Methods and Assumptions - GASB Statement 27

The annual required contribution (ARC) for the current year was determined as part of the July 1, 2011, 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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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

Funding Status and Funding Progress - GASB Statement 27

As of June 30, 2011, the actuarial accrued liability for benefits was \$202,324 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$202,324. The annual payroll for active employees during the valuation year was \$99,444,639 for a ratio of UAAL to covered payroll of 0.2%. The Annual Required Contribution (ARC) for June 30, 2013, was actuarially determined to be \$62,235.

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

GASB Statement 45

The District implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than 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.

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 for the year ending June 30, 2013, the amount actually contributed to the plan, and changes in the net OPEB obligation:

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual required contribution	\$ 2,119,141	\$ 1,944,027	\$ 2,016,928
Interest on net OPEB	78,501	117,789	155,399
Adjustment to ARC	<u>(67,719)</u>	<u>(101,613)</u>	<u>(134,056)</u>
Annual pension cost (APC)	2,129,923	1,960,203	2,038,271
Expected Contributions	<u>1,147,676</u>	<u>1,020,011</u>	<u>1,072,385</u>
Increase (Decrease) in net OPEB obligation	982,247	940,192	965,886
Net OPEB Obligation (Asset) at beginning of year	<u>1,962,513</u>	<u>2,944,760</u>	<u>3,884,952</u>
Net OPEB Obligation (Asset) at end of year	<u><u>\$ 2,944,760</u></u>	<u><u>\$ 3,884,952</u></u>	<u><u>\$ 4,850,838</u></u>
 Percentage of APC Contributed	 54%	 52%	 53%

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, 2011, actuarial valuation using the projected unit credit cost method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial methods and assumptions used are consistent with the long-term perspective of the calculations. Examples include assumptions about mortality, claim cost, and the healthcare cost trend. The actuarial assumptions included: (a) a rate of return on investment of 4 percent, (b) overall payroll growth of 3.75 percent per year, (c) retirement rate assumptions, and (d) insurance premium trend rate of 10 percent, then graded down by .5 percent per year to 5 percent. Amounts determined regarding the funded status of the plan and annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A separately issued OPEB plan report is not available. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls, on a closed basis, over a period of thirty years.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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

Funding Status and Funding Progress - GASB Statement 45

As of June 30, 2011, the actuarial accrued liability for benefits was \$18,308,786, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,308,786. The annual payroll for active employees covered by the plan in the actuarial valuation was \$99,444,639 for a ratio of UAAL to covered payroll of 18.4%. The Annual Required Contribution (ARC) for June 30, 2013, was actuarially determined to be \$2,016,928.

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

Termination Benefits

A new 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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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

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

Program membership at year end was 73 licensed, 10 Supervisory/Technical and 41 classified.

In accordance with GASB Statement 47, *Termination Benefits*, a liability has been determined for the plan by the actuary. As of June 30, 2013, the District's potential liability for its termination benefits plan is \$218,725. No separate trust was established.

7. 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 financial 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, 2012, is 12.71 percent of salary covered under the plan for Tier 1 and Tier 2 employees and 11.20 percent for employees covered under the Oregon 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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

plan). OPSRP is administered by PERS.

7. PENSION PLAN (Continued)

The District's contributions to PERS for the year ended June 30, 2013, was \$18,779,869, \$17,675,289 for the year ended June 30, 2012, and \$10,198,669 for the year ended June 30, 2011, equal to the required contributions for each year.

8. 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, 2013, 2012, and 2011.

9. 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.

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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

10. PREPAID PENSION ASSET

PERS UAL was prepaid with a lump sum payment of \$100,780,385 in a prior year. As of June 30, 2013, \$75,585,285 was reported as Prepaid PERS UAL, which is net of amortization.

11. PREPAID EXPENSES

The District has various prepaid expenses throughout the year that consist of UPS and postage fees, self-paid insurance, and miscellaneous other charges due to timing differences. Total prepaid expenses as of June 30, 2013 were as follows:

<u>Fund</u>	<u>2013</u>
General Fund	\$ 197,476
Special Revenue Fund	<u>3,907</u>
Total Prepays	<u>\$ 201,383</u>

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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

REQUIRED SUPPLEMENTARY INFORMATION

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HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

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

JUNE 30, 2013

PLAN 1 (STIPENDS)

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
6/30/2005	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2006	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	\$ -	\$457,482	\$457,852	N/A	\$95,660,738	0.5%
6/30/2009	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2010	\$ -	\$100,684	\$100,684	N/A	\$105,720,063	0.1%
6/30/2011	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2012	\$ -	\$202,324	\$202,324	N/A	\$99,444,639	0.2%

Schedule of Employer Contributions

Year Ended June 30	Annual Pension Cost	Percentage Contributed
2005	N/A	N/A
2006	N/A	N/A
2007	N/A	N/A
2008	\$223,320	121%
2009	41,873	169
2010	45,651	62
2011	47,989	18
2012	63,944	20
2013	55,366	27

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 6/30/2008.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

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

JUNE 30, 2013

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
6/30/2005	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2006	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	\$ -	\$6,752,665	\$6,752,665	N/A	\$95,660,738	7.1%
6/30/2009	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2010	\$ -	\$18,504,189	\$18,504,189	N/A	\$105,720,063	17.5%
6/30/2011	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2012	\$ -	\$18,308,786	\$18,308,786	N/A	\$99,444,639	18.4%

Schedule of Employer Contributions

Year Ended June 30	Annual OPEB Cost	Percentage Contributed
2005	N/A	N/A
2006	N/A	N/A
2007	N/A	N/A
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

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, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Property taxes	\$ 55,084,665	\$ 55,084,665	\$ 53,810,876	\$ (1,273,789)
Charges for services	510,000	510,000	525,352	15,352
Earnings on investments	275,000	275,000	182,385	(92,615)
Other	605,000	605,000	922,928	317,928
Intermediate sources	750,000	750,000	883,539	133,539
State sources	94,961,255	94,961,255	96,246,256	1,285,001
Federal sources	3,666,000	3,666,000	3,136,955	(529,045)
Total Revenues	155,851,920	155,851,920	155,708,291	(143,629)
EXPENDITURES:				
Instruction	95,832,661	95,832,661 (1)	95,813,158	19,503
Support services	65,898,910	65,868,910 (1)	64,521,501	1,347,409
Enterprise Funds	361,452	391,452 (1)	369,240	22,212
Debt Service	527,950	527,950 (1)	527,950	-
Contingency	2,500,000	2,500,000 (1)	-	2,500,000
Total Expenditures	165,120,973	165,120,973	161,231,849	3,889,124
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,269,053)	(9,269,053)	(5,523,558)	3,745,495
Other financing sources, (Uses)				
Transfers in	5,000,000	5,000,000	5,000,000	-
Transfers out	(125,000)	(125,000) (1)	(13,917)	111,083
Sale or compensation for loss of fixed asset	-	-	904	904
Total other financing sources, (uses)	4,875,000	4,875,000	4,986,987	111,987
NET CHANGE IN FUND BALANCE	(4,394,053)	(4,394,053)	(536,571)	3,857,482
FUND BALANCES, July 1, 2012	9,394,053	9,394,053	9,637,120	243,067
FUND BALANCES, June 30, 2013	\$ 5,000,000	\$ 5,000,000	\$ 9,100,549	\$ 4,100,549

(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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Charges for services	\$ 9,168,675	\$ 9,168,675	\$ 8,400,873	\$ (767,802)
Earnings on investments	4,000	4,000	-	(4,000)
Intermediate sources	128,217	128,217	450,972	322,755
State sources	1,337,645	1,337,645	1,916,031 (2)	578,386
Federal sources	18,475,473	18,475,473	16,324,297	(2,151,176)
Total Revenues	29,114,010	29,114,010	27,092,173	(2,021,837)
EXPENDITURES:				
Instruction	13,327,682	13,360,701 (1)	11,689,276	1,671,425
Support services	7,699,883	7,755,283 (1)	6,796,717	958,566
Enterprise and community services	7,842,767	7,842,767 (1)	7,769,229	73,538
Capital Outlay	500,000	1,093,623 (1)	2,204,444	(1,110,821)
Total Expenditures	29,370,332	30,052,374	28,459,666	1,592,708
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(256,322)	(938,364)	(1,367,493)	(429,129)
OTHER FINANCING SOURCES, (USES)				
Transfers in	-	-	83,500	83,500
Transfers out	-	-	(83,500)	(83,500) (3)
Total Other Financing Sources, (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	(256,322)	(938,364)	(1,367,493)	(429,129)
FUND BALANCES, July 1, 2012	1,577,739	1,577,739	7,064,925	5,487,186
FUND BALANCES, June 30, 2013	\$ 1,321,417	\$ 639,375	\$ 5,697,432	\$ 5,058,057

(1) Appropriation Level

(2) Includes \$84,747 State Revenue Lunch Program Match

(3) Not a budget violation as transfers remained within the Special Revenue Fund.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Taxes - current year's levy	\$ 27,506,351	\$ 27,506,351	\$ 27,577,288	\$ 70,937
Taxes- prior years' levies	350,000	350,000	435,957	85,957
Taxes- penalties and interest	10,000	10,000	8,207	(1,793)
Interest on investments	50,000	50,000	82,607	32,607
Miscellaneous	6,530,694	6,530,694	6,530,298	(396)
Total revenues	34,447,045	34,447,045	34,634,357	187,312
EXPENDITURES:				
Other sources:				
Debt service				
Principal	19,680,000	19,680,000	19,840,000	(160,000)
Other	-	-	85,220	(85,220)
Interest	14,744,545	14,744,545	14,582,819	161,726
Total expenditures	34,424,545	34,424,545 (1)	34,508,039	(83,494)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	22,500	22,500	126,318	103,818
OTHER FINANCING SOURCES, (USES)				
Bond Proceeds	-	-	96,794	96,794
Total Other Financing Sources, (Uses)	-	-	96,794	96,794
NET CHANGE IN FUND BALANCE	22,500	22,500	223,112	200,612
FUND BALANCE, July 1, 2012	2,900,000	2,900,000	3,358,031	458,031
FUND BALANCE, June 30, 2013	\$ 2,945,000	\$ 2,945,000	\$ 3,581,143	\$ 658,643

(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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Interest on investments	\$ 50,000	\$ 50,000	\$ 18,158	\$ (31,842)
	50,000	50,000	18,158	(31,842)
Intermediate sources:				
Restricted revenue	25,000	25,000	-	(25,000)
	25,000	25,000	-	(25,000)
Federal sources:				
Restricted revenue	500,000	500,000	-	(500,000)
	500,000	500,000	-	(500,000)
Total revenues	575,000	575,000	18,158	(556,842)
EXPENDITURES:				
Facilities acquisition and construction				
Service area direction:				
Salaries and wages	-	-	210,433	(210,433)
Employee benefits	-	-	244,820	(244,820)
Purchased services	-	-	18,884	(18,884)
Supplies and materials	-	-	21,600	(21,600)
Capital outlay	-	-	485,518	(485,518)
Building acquisition and construction				
Salaries and wages	310,000	310,000	54	309,946
Employee benefits	-	-	14	(14)
Purchased services	650,000	650,000	112,789	537,211
Supplies and materials	-	-	881	(881)
Capital outlay	-	-	482,895	(482,895)
Other	-	-	4,327	(4,327)
Total facilities and building acquisition and construction	960,000	960,000 (1)	1,582,215	(622,215)
Contingency	3,000,000	3,000,000 (1)	-	3,000,000
Total expenditures	3,960,000	3,960,000	1,582,215	2,377,785
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,385,000)	(3,385,000)	(1,564,057)	1,820,943
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	13,917	13,917
Transfers out	(3,500,000)	(3,500,000) (1)	(3,500,000)	-
Total Other Financing Sources, (Uses)	(3,500,000)	(3,500,000)	(3,486,083)	13,917
NET CHANGE IN FUND BALANCE	(6,885,000)	(6,885,000)	(5,050,140)	1,834,860
FUND BALANCE, July 1, 2012	8,945,000	8,945,000	13,463,581	4,518,581
FUND BALANCE, June 30, 2013	\$ 2,060,000	\$ 2,060,000	\$ 8,413,441	\$ 6,353,441

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

PENSION-TRUST POST-EMPLOYMENT BENEFIT

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

FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Charges to other funds	\$ 750,000	\$ 750,000	\$ -	\$ (750,000)
EXPENDITURES:				
Support services:				
Early retirement program:				
Salaries and wages	763,000	763,000	-	763,000
Employee benefits	37,000	37,000	-	37,000
Contingency	-	-	-	-
Total expenditures	800,000	800,000 (1)	-	800,000
NET CHANGE IN FUND BALANCE	(50,000)	(50,000)	-	50,000
FUND BALANCE, July 1, 2012	50,000	50,000	-	(50,000)
FUND BALANCE, June 30, 2013	\$ -	\$ -	\$ -	\$ -

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

PERS RESERVE FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ 1,500,000	\$ 1,500,000 (1)	\$1,500,000	\$ -
NET CHANGE IN FUND BALANCE	(1,500,000)	(1,500,000)	(1,500,000)	-
FUND BALANCE, July 1, 2012	3,000,000	3,000,000	3,000,000	-
FUND BALANCE, June 30, 2013	\$ 1,500,000	\$ 1,500,000	\$1,500,000	\$ -

(1) Appropriation Level

(2) Included in General Fund per GASB 54.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF BONDED DEBT TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 2013

Issue Date	Outstanding		Outstanding June 30, 2013	Interest		Outstanding June 30, 2013
	June 30, 2012	Matured and Redeemed		Interest Coupon Rates	Matured and Redeemed	
Hillsboro School District 1J:						
March 1, 1998	\$ 8,340,000	\$ 2,640,000	\$ 5,700,000	4.0 to 5.0%	\$ 351,000	\$ 288,500
May, 2005	60,885,000	8,480,000	52,405,000	3.0 to 5.1%	3,170,262	8,643,250
November, 2006	148,351,712	103,725,000	44,626,712	4.0 to 5.0%	1,726,116	20,562,238
November 2012	-	160,000	98,790,000	1.5 to 5.0%	2,254,025	33,696,550
	<u>\$ 217,576,712</u>	<u>\$ 115,005,000</u>	<u>\$ 201,521,712</u>		<u>\$ 7,501,403</u>	<u>\$ 63,190,538</u>
PERS pension bonds						
June 21, 2005	<u>\$ 99,065,000</u>	<u>\$ 1,865,000</u>	<u>\$ 97,200,000</u>	<u>3.7 to 4.8%</u>	<u>\$ 4,665,694</u>	<u>\$44,636,173</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS**AT JUNE 30, 2013****PRINCIPAL**

Fiscal Year	Total	March 1, 1998	May 26, 2005	December 19, 2006	November 20, 2012
2013-2014	\$ 19,595,000	\$ 2,780,000	\$ 9,160,000	\$ 7,270,000	\$ 385,000
2014-2015	20,625,000	2,920,000	9,565,000	7,750,000	390,000
2015-2016	19,170,000	-	10,365,000	8,410,000	395,000
2016-2017	20,765,000	-	11,210,000	9,155,000	400,000
2017-2018	22,490,000	-	12,105,000	-	10,385,000
2018-2023	64,475,000	-	-	-	64,475,000
2023-2026	34,401,712	-	-	12,041,712	22,360,000
	\$ 201,521,712	\$ 5,700,000	\$ 52,405,000	\$ 44,626,712	\$ 98,790,000

INTEREST

Fiscal	Total	March 1, 1998	May 26, 2005	December 19, 2006	November 20, 2012
2013-2014	\$ 8,376,387	\$ 215,500	\$ 2,746,262	\$ 1,459,538	\$ 3,955,087
2014-2015	7,458,737	73,000	2,269,237	1,169,112	3,947,388
2015-2016	6,562,287	-	1,768,200	852,550	3,941,537
2016-2017	5,617,401	-	1,224,038	457,750	3,935,613
2017-2018	4,565,125	-	635,513	-	3,929,612
2018-2023	12,829,913	-	-	-	12,829,913
2023-2026	17,780,688	-	-	16,623,288	1,157,400
	\$ 63,190,538	\$ 288,500	\$ 8,643,250	\$ 20,562,238	\$ 33,696,550

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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Tax Year</u>	<u>Uncollected July 1, 2012</u>	<u>Levy as Extended by Assessor</u>
<u>GENERAL FUND</u>			
Current	2012-13	\$ -	\$ 55,450,330
Prior	2011-12	1,378,301	
	2010-11	765,822	-
	2009-10	430,586	-
	2008-09	74,840	-
	2007-08 & Prior	60,090	-
Total prior		<u>2,709,639</u>	<u>-</u>
Total general fund		<u>\$ 2,709,639</u>	<u>\$ 55,450,330</u>
<u>DEBT SERVICE FUND</u>			
Current	2012-13	\$ -	\$ 28,875,459
Prior	2011-12	704,069	-
	2010-11	408,600	-
	2009-10	217,752	-
	2008-09	32,446	-
	2007-08 & Prior	25,916	-
Total prior		<u>1,388,783</u>	<u>-</u>
Total debt service fund		<u>\$ 1,388,783</u>	<u>\$ 28,875,459</u>
TOTAL ALL FUNDS		<u>\$ 4,098,422</u>	<u>\$ 84,325,789</u>

Discounts Allowed	Interest	Adjustments	Collections	Uncollected June 30, 2013
\$ (1,441,046)	\$ 17,116	\$ 77,647	\$ (52,945,283)	\$ 1,158,764
3,246	45,718	(441,944)	(383,081)	602,240
2,513	41,100	(199,378)	(170,133)	439,924
97	51,412	(5,762)	(215,195)	261,138
19	17,934	(2,281)	(63,905)	26,607
16	9,310	(2,384)	(22,695)	44,337
5,891	165,474	(651,749)	(855,009)	1,374,246
<u>\$ (1,435,155)</u>	<u>\$ 182,590</u>	<u>\$ (574,102)</u>	<u>\$ (53,800,292)</u>	<u>\$ 2,533,010</u>
\$ (750,416)	\$ 8,913	\$ 40,434	\$ (27,570,970)	\$ 603,420
1,658	23,354	(225,753)	(195,688)	307,640
1,341	21,929	(106,375)	(90,774)	234,721
51	26,847	4,085	(112,372)	136,363
8	8,100	327	(28,864)	12,017
11	4,337	(581)	(10,806)	18,877
3,069	84,567	(328,297)	(438,504)	709,619
<u>\$ (747,347)</u>	<u>\$ 93,480</u>	<u>\$ (287,863)</u>	<u>\$ (28,009,474)</u>	<u>\$ 1,313,039</u>
<u>\$ (2,182,502)</u>	<u>\$ 276,070</u>	<u>\$ (861,965)</u>	<u>\$ (81,809,766)</u>	<u>\$ 3,846,049</u>

RECONCILIATION TO REVENUE:

Cash collections by county treasurer above	\$ 81,809,766
Multnomah County cash collections	3,840
Accrued prior year	(383,554)
Accrued current year	382,799
Other taxes	11,270
Property tax revenue	<u>\$ 81,824,121</u>

Reported in:

General Fund	\$ 53,810,876
Debt Service Fund	28,013,245
	<u>\$ 81,824,121</u>

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

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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

2003-04 Through 2012-13

(accrual basis of accounting)

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
Governmental activities:				
Net investment in capital assets	\$ 52,287,910	\$ 31,538,602	\$ 43,279,660	\$ 44,713,254
Restricted for special programs	5,507,603	6,837,003	2,285,638	-
Restricted for debt service	3,581,143	3,358,031	3,306,895	3,654,721
Restricted for capital projects	8,413,441	13,463,581	20,296,746	23,710,495
Unrestricted	<u>(22,377,708)</u>	<u>(7,822,244)</u>	<u>(19,579,279)</u>	<u>(19,016,357)</u>
Total primary government net position	<u>\$ 47,412,389</u>	<u>\$ 47,374,973</u>	<u>\$ 49,589,660</u>	<u>\$ 53,062,112</u>

Source: Hillsboro School District 1J financial records.

<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
\$ 36,339,608	\$ 48,427,208	\$ (97,336,636)	\$ 52,183,443	\$ 48,174,979	\$ 57,423,759
-	-	-	-	-	-
5,880,421	10,827,545	6,573,042	6,745,522	7,003,798	6,477,663
39,421,641	101,584,454	177,928,489	8,357,714	-	-
<u>(31,880,776)</u>	<u>(103,343,000)</u>	<u>24,783,019</u>	<u>23,006,941</u>	<u>32,384,733</u>	<u>22,273,298</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>	<u>\$ 86,174,720</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CHANGES IN NET POSITION**Last Ten Fiscal Years****2003-04 Through 2012-13****(accrual basis of accounting)**

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
Governmental Activities:				
Expenses				
Instruction	\$ 112,947,889	\$ 111,973,461	\$ 115,345,118	\$ 113,083,611
Support services	74,174,524	70,449,859	75,113,377	72,721,956
Enterprise & community services	8,540,335	8,277,973	8,109,778	8,779,813
Facilities acquisition & construction	-	-	-	-
Interest on long-term debt	14,610,731	15,656,739	16,560,348	17,242,277
Total expenditures	<u>210,273,479</u>	<u>206,358,032</u>	<u>215,128,621</u>	<u>211,827,657</u>
PROGRAM REVENUES:				
Charges for services:				
Instruction	5,119,993	5,330,102	4,409,514	4,256,047
Support services	750,681	210,960	227,538	273,337
Enterprise & community services	1,672,468	1,720,616	1,739,507	1,959,373
Operating grants & contributions:				
Instruction	8,761,256	6,435,939	17,996,564	12,519,540
Support services	8,174,761	8,666,716	6,136,063	1,131,494
Enterprise & community services	5,795,967	5,788,841	6,490,380	6,469,855
Facilities	410,963	-	-	-
Capital grants & contributions:				
Support services	-	-	-	-
Enterprise & community services	450,972	563,818	96,590	80,702
Total program revenues	<u>31,137,061</u>	<u>28,716,992</u>	<u>37,096,156</u>	<u>26,690,348</u>
Net (Expenditures)	(179,136,418)	(177,641,040)	(178,032,465)	(185,137,309)
General Revenues				
Taxes:				
Property taxes, levied for general purposes	53,423,125	54,224,135	51,832,676	50,085,826
Property taxes, levied for debt service	27,812,402	27,696,616	27,630,949	26,101,682
State School Fund - General Support	96,246,256	100,256,023	91,150,843	101,051,718
Unrestricted intermediate sources	871,920	1,000,000	-	-
Earnings on investments	283,150	261,912	387,598	-
Gain on sale of capital assets	904	-	950,007	785,940
Miscellaneous	536,077	794,235	2,086,912	11,437,792
Total general revenues	<u>179,173,834</u>	<u>184,232,921</u>	<u>174,038,985</u>	<u>189,462,958</u>
CHANGE IN NET POSITION	<u>\$ 37,416</u>	<u>\$ 6,591,881</u>	<u>\$ (3,993,480)</u>	<u>\$ 4,325,649</u>

2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
\$ 122,478,716	\$ 110,225,767	\$ 93,429,518	\$ 90,626,555	\$ 86,376,150	\$ 77,641,128
86,269,378	77,354,276	63,574,639	57,239,269	55,864,621	48,175,450
9,457,828	9,169,942	7,378,732	9,903,601	6,284,320	5,300,463
-	65,870,014	832,064	-	-	-
17,905,207	22,257,859	11,593,839	11,798,269	3,720,541	7,701,343
<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>	<u>138,818,384</u>
4,021,721	6,390,034	1,070,606	2,126,428	4,143,996	3,093,549
168,919	178,773	232,335	1,858,211	430,408	678,092
2,041,711	2,338,045	2,355,750	2,177,939	3,700,700	2,052,807
12,342,037	8,577,163	8,795,634	4,241,207	7,378,878	8,061,968
2,379,115	3,516,952	3,036,287	3,725,767	4,715,506	9,647,884
5,267,264	5,549,384	4,334,791	4,298,360	3,447,404	3,065,297
-	-	-	-	-	-
-	109,820	527,800	404,634	348,305	365,000
71,062	95,570	-	-	-	-
<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>	<u>26,964,597</u>
(209,819,300)	(258,122,117)	(156,455,589)	(150,735,148)	(128,080,435)	(111,853,787)
48,193,154	46,040,548	43,741,370	42,262,685	40,522,887	39,118,206
21,845,630	29,560,363	14,668,594	14,812,597	15,542,605	14,654,964
101,756,724	104,687,241	86,828,447	83,972,807	63,991,989	72,273,902
-	-	-	-	-	-
-	-	-	-	-	-
3,312,204	9,340,104	8,194,851	2,653,853	1,446,575	760,116
12,067,166	7,597,249	24,676,621	9,763,319	7,965,169	3,569,787
<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>130,376,975</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>	<u>\$ 18,523,188</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

2004 Through 2013

(modified accrual basis of accounting)

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
FUND BALANCES:				
Nonspendable, reported in:				
General Fund	\$ 312,262	\$ 688,343	\$ 300,725	\$ -
Special Revenue Funds	189,829	227,922	572,074	-
Restricted, reported in:				
General fund	-	-	-	364,700
Special revenue funds	5,507,603	6,837,003	2,285,638	499,389
Debt service fund	3,581,143	3,358,031	3,306,895	3,654,721
Capital projects funds	8,413,441	13,463,581	20,296,746	23,710,495
Assigned, reported in:				
Special revenue funds	-	-	2,582,631	-
PERS Reserve	1,500,000	3,000,000	4,500,000	-
Unassigned, reported in:				
General fund	8,788,286	8,948,777	10,654,867	17,551,703
Special revenue funds	-	-	(358,476)	2,519,865
Debt service fund	-	-	-	-
Capital projects funds	-	-	(368,925)	-
TOTAL FUND BALANCES	\$ 28,292,565	\$ 36,523,657	\$ 43,772,176	\$ 48,300,872

(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>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
383,482	666,715	219,748	245,271	238,850	201,031
235,323	218,447	170,099	182,812	882,780	835,817
5,880,421	10,827,545	6,573,042	7,874,004	9,073,416	6,477,663
39,421,641	101,584,454	177,928,489	8,357,714	13,204,310	17,772,597
-	-	-	-	-	-
-	-	-	-	-	-
19,658,096	22,973,345	19,668,582	20,187,310	14,730,521	17,499,555
3,597,953	3,435,749	3,672,104	2,098,654	2,454,476	2,087,512
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 44,874,175</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

**CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS****Last Ten Fiscal Years****2004 Through 2013**

(modified accrual basis of accounting)

	2012-13	2011-12	2010-11	2009-10
Revenues				
Property taxes	\$ 81,824,121	\$ 80,948,030	\$ 79,663,898	\$ 75,902,580
Charges for services	8,926,225	9,257,214	8,161,987	8,197,218
Earnings on investments	283,150	261,912	387,598	785,940
Other	7,461,433	6,524,021	7,495,766	6,977,351
Intermediate sources	1,334,511	888,300	1,378,287	2,821,079
State School support	98,162,287	101,918,660	92,378,467	101,051,718
Federal	19,461,252	18,400,804	27,566,990	20,120,889
Other sources	-	-	-	-
Total revenues	<u>217,452,979</u>	<u>218,198,941</u>	<u>217,032,993</u>	<u>215,856,775</u>
EXPENDITURES:				
Current operating				
Instruction	107,502,434	107,619,019	106,975,447	106,348,362
Support Services	70,598,413	67,710,192	69,662,999	68,171,937
Enterprise & community services	8,128,587	7,956,058	7,521,316	8,256,888
Facilities acquisition & construction	495,737	1,860,015	2,378,353	-
Capital outlay	4,020,609	6,206,632	6,905,741	19,620,414
Debt service				
Principal	20,225,000	18,365,000	17,940,000	15,985,000
Other	85,220	1,050	400	30,931
Payment to PERS	-	-	-	-
Interest	14,725,769	15,731,211	16,554,371	17,306,459
Total expenditures	<u>225,781,769</u>	<u>225,449,177</u>	<u>227,938,627</u>	<u>235,719,991</u>
Excess (deficiency) of revenues over expenditures and net	(8,328,790)	(7,250,236)	(10,905,634)	(19,863,216)
Other financing sources (uses)				
Bond proceeds	96,794	-	-	-
Sale or compensation for loss of fixed asset	904	1,718	1,804,620	11,602
Capital Leases	-	-	2,372,318	-
Operating transfer in	3,597,417	-	700,000	-
Operating transfers out	(3,597,417)	-	-	-
Total other financing sources (uses)	<u>97,698</u>	<u>1,718</u>	<u>4,876,938</u>	<u>11,602</u>
NET CHANGE IN FUND BALANCES	<u>\$ (8,231,092)</u>	<u>\$ (7,248,518)</u>	<u>\$ (6,028,696)</u>	<u>\$ (19,851,614)</u>
Debt services as a percentage of noncapital expenditures	15.8%	15.6%	15.6%	15.4%

<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
\$ 69,425,118	\$ 74,970,634	\$ 58,274,830	\$ 57,183,332	\$ 56,412,322	\$ 53,824,620
8,265,066	7,009,678	3,765,885	4,778,380	6,307,762	5,824,448
3,229,021	9,340,104	8,194,851	2,653,850	1,446,575	760,116
6,944,129	6,726,267	1,375,754	1,605,890	3,061,354	1,030,150
1,742,355	3,286,708	3,812,017	4,296,352	3,749,953	3,516,570
103,156,724	104,687,241	86,835,628	83,968,676	71,857,440	81,462,389
20,087,018	17,327,027	15,821,511	13,690,511	10,869,443	10,855,286
-	-	186,703,215	4,560,607	103,126,403	54,668
<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>	<u>157,328,247</u>
103,425,714	99,258,155	90,028,311	87,151,646	81,088,557	74,367,389
72,746,276	69,657,422	61,260,272	55,044,467	52,451,074	46,467,506
8,046,600	8,257,520	7,110,119	6,294,588	5,900,323	5,075,963
-	-	-	1,680,430	567,389	4,430,025
66,650,915	83,737,559	15,556,452	3,025,190	4,349,203	5,265,037
14,530,000	9,370,000	10,020,821	9,168,251	10,196,483	8,066,526
30,931	30,931	38,196	-	-	-
-	-	-	-	100,780,385	-
<u>17,951,944</u>	<u>22,040,454</u>	<u>11,483,228</u>	<u>12,011,614</u>	<u>5,737,725</u>	<u>7,873,920</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>	<u>151,546,366</u>
(70,532,949)	(69,004,382)	169,286,292	(1,638,588)	(4,239,887)	5,781,881
-	39,068	-	-	-	-
3,610	94,242	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,610</u>	<u>133,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>\$ 5,781,881</u>

15.0%

15.1%

12.0%

12.4%

45.5%

10.9%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

ASSESSED VALUES OF TAXABLE PROPERTY WITHIN SCHOOL DISTRICT BOUNDARIES

Last Ten Fiscal Years

2004 Through 2013

Market Value				
Fiscal Year Ending June 30	Real Property	Manufactured Property	Personal Property	Public Utility
2004	\$ 14,625,590,941	\$ 56,343,418	\$ 513,363,728	\$ 334,868,331
2005	14,738,573,962	50,838,508	498,893,923	310,996,669
2006	15,692,590,790	44,565,453	608,210,530	309,515,561
2007	17,598,385,145	42,234,530	569,322,711	336,270,664
2008	18,875,429,572	35,325,440	597,352,127	344,285,720
2009	19,574,092,456	32,349,370	662,182,294	339,169,003
2010	19,055,259,480	31,497,060	651,404,471	416,135,377
2011	18,830,265,680	31,525,110	631,207,499	446,710,065
2012	18,092,087,230	29,539,350	644,541,082	468,076,587
2013	17,798,748,230	27,705,330	681,541,930	474,366,901

Note:

Represents Washington County only

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

Assessed Value (not including exempt property)

Total Market Value	Total Taxable Assessed Value	Total Direct Tax Rate	Amount tax rate will raise	Less: Reduction and Adjustments	Total Taxes Imposed (Net Levy)
\$ 15,530,166,418	\$ 8,244,000,065	6.67	\$ 54,987,480	\$ 514,510	\$ 55,501,990
15,599,303,062	8,482,860,603	6.71	56,919,995	721,284	57,641,279
16,654,882,334	8,842,271,844	6.59	58,270,571	400,466	58,671,037
18,546,213,050	9,156,346,239	6.52	59,699,377	58,996	59,758,373
19,852,392,859	9,589,976,937	6.20	59,457,857	(849,826)	58,608,031
20,607,793,123	10,098,797,357	6.29	63,521,435	(872,020)	62,649,415
20,154,296,388	10,465,349,538	6.33	66,239,809	(930,213)	65,309,595
19,939,708,354	10,912,092,039	6.40	69,803,033	(1,103,124)	68,699,931
19,234,244,249	11,371,005,915	6.29	71,457,529	(1,341,667)	70,116,457
18,982,362,391	11,456,148,320	6.30	72,086,863	(1,614,038)	70,473,816

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DIRECT AND OVERLAPPING PROPERTY TAX RATES**2003-04 Through 2012-13**

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

DIRECT:	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Hillsboro School District	6.3034	6.2933	6.4001	6.3322	6.2936
Hillsboro School District - after 10/6/01	1.1943	1.1730	1.1845	1.1278	0.8080
Prior School District Bonds:					
Hillsboro Elementary	0.0000	0.0000	0.0000	0.0000	0.0802
Reedville	0.0000	0.0000	0.0000	0.4102	0.2617
Farmington View	0.0000	0.0000	0.0000	0.0000	0.0000
North Plains	0.0000	0.0000	0.0000	0.0000	0.0000
OVERLAPPING GOVERNMENTS:					
Washington County	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
Enhanced Sheriff Patrol	1.2285	1.2477	1.2660	1.2823	1.3099
Road Maintenance	0.2456	0.2456	0.2456	0.2456	0.2456
Port of Portland	0.0701	0.0701	0.0701	0.0701	0.0701
City of Hillsboro	5.1331	5.3865	5.3865	5.3865	5.3865
City of Hillsboro - after 10/6/01	2.4080	0.0000	0.0000	0.0000	0.0000
City of North Plains	2.1712	2.1712	2.1712	2.1712	2.1712
City of Cornelius	3.9836	3.9836	3.9836	3.9836	4.0050
Cornelius RFPD	1.2971	1.3097	1.3354	1.3300	1.4388
Washington County RFFD #2	1.1219	1.1219	1.1219	1.1219	1.1219
Washington County RFFD #2 - after 10/6/01	0.5700	0.5700	0.5700	0.5700	0.5700
Tualatin Valley Fire and Rescue	1.5252	1.5252	1.5252	1.5252	1.5446
Tualatin Valley Fire and Rescue - after 10/6/01	0.3893	0.4050	0.3576	0.3695	0.2988
Gaston RFPD	1.7621	1.7621	1.7621	1.5121	1.5121
Banks RFPD	2.0332	2.0505	2.1007	2.1324	2.1671
Forest Grove RFPD	1.4012	1.2766	1.4262	1.4339	1.4375
Metro Service District	0.2621	0.2277	0.2499	0.2504	0.3018
Metro Service District after 10/6/01	0.1422	0.0877	0.1589	0.1864	0.0966
Tri-Met	0.0000	0.0583	0.0878	0.0863	0.0803
Tualatin Hills Park & Recreation	1.4224	1.7388	1.7428	1.7343	1.4291
Tualatin Hills Park & Recreation, after 10/6/01	0.3074	0.0000	0.0000	0.0000	0.0000
Wolf Creek Water	0.0000	0.0000	0.0000	0.0000	0.0000
Metro Zoo	0.0000	0.0000	0.0000	0.0000	0.0000
Northwest Regional ESD	0.1538	0.1538	0.1538	0.1538	0.1538
Portland Community College	0.4853	0.4460	0.4628	0.4579	0.5031
Portland Community College - after 10/6/01	0.1798	0.1521	0.1731	0.1746	0.0000
Rainbow Lanes Road	0.4888	0.4888	0.4888	0.4888	0.4888

Source: The Washington County Department of Assessment and Taxation.

2007-08	2006-07	2005-06	2004-05	2003-04
6.1994	6.5240	6.5900	6.7059	6.6651
1.8587	0.0000	0.0000	0.0000	0.0000
0.0829	0.0793	0.0793	0.1292	0.1278
0.2493	0.2268	0.2556	0.3327	0.2985
0.0000	0.0000	0.3408	0.3636	0.3627
0.0000	0.2706	0.0253	0.3187	0.2944
2.4431	2.4494	2.8390	2.8734	2.9149
0.5900	0.0000	0.0000	0.0000	0.0000
1.0920	1.1120	1.1300	1.1424	1.0291
0.2456	0.2456	0.2456	0.2456	0.2456
0.0701	0.0701	0.0701	0.0701	0.0701
4.7665	4.7665	4.7665	4.7665	4.7665
0.0000	0.0000	0.0000	0.0000	0.0000
2.1712	2.1712	2.6385	3.1563	3.2361
4.0723	4.1698	3.9836	4.3098	4.5828
1.4702	1.4820	1.5307	1.5631	1.9667
1.1219	1.1219	1.1219	1.1219	1.1219
0.5700	0.0000	0.0000	0.0000	0.0000
1.5560	1.8194	1.7752	1.8259	1.8206
0.3132	0.0000	0.0000	0.0000	0.0000
1.5121	1.5121	1.5121	1.0921	1.3060
2.0321	2.0220	1.7031	1.4110	1.6621
1.4409	1.4390	1.2766	1.4361	1.4568
0.2683	0.2782	0.0000	0.2838	0.2835
0.1609	0.0000	0.0000	0.0000	0.0000
0.0856	0.0973	0.1191	0.1104	0.1239
1.4341	1.4425	1.4505	1.4551	1.4617
0.0000	0.0000	0.0000	0.0000	0.1486
0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0966	0.0966	0.2838	0.0000
0.1538	0.1538	0.1538	0.1538	0.1538
0.5051	4.8890	0.2828	0.5099	0.4944
0.0000	0.0000	0.0000	0.0000	0.0000
0.4888	0.4888	0.4888	0.4888	0.4888

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PRINCIPAL PROPERTY TAX PAYERS FOR WASHINGTON COUNTY

Current Year (2013) and Nine Years Ago (2004)

		2012-13				2003-04				
Taxpayer		Measure 50		% of HSD AV	% of Wash County AV				% of HSD AV	% of Wash County AV
		Assessed Value	Taxes Levied				HSD AV	Wash County AV		
1	Intel	\$ 1,317,485,109	\$ 21,794,417	11.50%	2.67%	1	\$1,057,564,778	12.83%	3.12%	
2	Nike, Inc.	458,134,800	7,440,124	4.00%	0.93%	3	\$335,104,850	4.06%	0.99%	
3	Portland General Electric	430,132,692	6,829,088	3.75%	0.87%	4	\$309,601,559	3.76%	0.91%	
4	Pacific Realty Associates	301,554,205	4,949,821	2.63%	0.61%	5	\$207,439,310	2.52%	0.61%	
5	Northwest Natural Gas Co.	303,517,250	4,698,617	2.65%	0.61%	6	\$199,791,740	2.42%	0.59%	
6	Comcast Corporation	247,208,700	4,197,086	2.16%	0.50%			0.00%	0.00%	
7	Frontier Communications	250,268,000	4,159,162	2.18%	0.51%			0.00%	0.00%	
8	Fred Meyer Stores, Inc.	149,532,916	2,586,367	1.31%	0.30%			0.00%	0.00%	
9	Maxim Integrated Products	142,776,738	2,312,951	1.25%	0.29%	10	\$119,072,980	1.44%	0.35%	
10	PS Business Parks LP	112,151,006	2,116,469	0.98%	0.23%	7	\$140,895,770	1.71%	0.42%	
	Verizon Northwest, Inc.					2	\$361,026,217	4.38%	1.07%	
	Novellus Systems, Inc.					8	\$125,486,553	1.52%	0.37%	
	Tektronix, Inc.					9	\$121,924,308	1.48%	0.36%	
	All other Washington County	45,642,897,659	23,241,687		7.52%		\$30,864,522,110	91.20%		
	Total Washington County	<u>\$ 49,355,659,075</u>	<u>\$ 84,325,789</u>				<u>\$33,842,430,175</u>			
	Hillsboro School District	<u>\$ 11,456,148,320</u>					<u>\$8,244,000,065</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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PROPERTY TAX LEVIES AND COLLECTIONS**Last Ten Fiscal Years****2004 Through 2013**

Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Tax Collections to Date	
		Amount	Fiscal Year of the Levy Percent of Levy		Amount	Percentage of Levy
2004	\$ 55,501,990	\$ 52,439,499	94.48%	\$ 1,351,492	\$ 53,790,991	96.92%
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%	1,257,788	58,317,887	97.32%
2008	77,461,189	73,547,415	94.95%	1,899,834	75,447,249	97.40%
2009	71,924,928	67,817,843	94.29%	2,290,855	70,108,698	97.47%
2010	78,263,542	73,894,785	94.42%	2,509,334	76,404,119	97.62%
2011	81,827,938	77,466,427	94.67%	2,470,684	79,937,111	97.69%
2012	83,738,165	79,664,870	95.14%	1,962,720	81,627,590	97.48%
2013	84,325,790	80,516,253	95.48%	292,598	80,808,850	95.83%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

2004 Through 2013

General Bonded Debt Outstanding

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Total</u>	<u>Percentage of Estimated Actual Value of Property</u>	<u>Per Capita</u>
2004	\$ 149,580,000	\$ 149,580,000	0.96%	1,372
2005	139,604,501	139,604,501	0.89%	1,215
2006	130,569,579	130,569,579	0.78%	997
2007	287,242,352	287,242,352	1.55%	2,447
2008	278,762,595	278,762,595	1.40%	2,068
2009	265,497,826	265,497,826	1.29%	2,052
2010	250,616,712	250,616,712	1.24%	1,888
2011	234,111,712	234,111,712	1.17%	1,864
2012	217,576,712	217,576,712	1.13%	1,702
2013	201,521,712	201,521,712	1.06%	1,521

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

RATIO OF BONDED DEBT TO ASSESSED PROPERTY VALUE

Last Ten Fiscal Years

2004 Through 2013

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>PERS Pension Bonds</u>	<u>Total District</u>	<u>Per ADMw</u>	<u>Per Capita</u>	<u>Total Net Assessed Valuation</u>	<u>Average Daily Membership</u>
2004	\$149,580,000	\$5,825,000	\$0	\$155,405,000	\$8,295	\$1,452	\$ 8,244,000,065	18,079
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	4,015,279	97,200,000	302,736,991	15,365	2,297	11,456,148,320	19,809

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

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**As of June 30, 2013**

Overlapping Issuer	Net Property-Tax Backed Debt	Percent Overlapping	Net Overlapping Debt
Chemeketa Community College	\$ 84,905,000	0.0032%	\$ 2,717
Multnomah County	201,275,000	0.0007%	1,409
Metro	248,275,000	6.2010%	15,395,533
Tri-Met	-	0.0000%	-
Portland Community College	176,450,000	9.1358%	16,120,119
Washington County SD 13 (Banks)	17,782,495	0.0563%	10,012
Washington County	26,765,000	21.9251%	5,868,253
Tualatin Hills Park & Rec District	101,682,100	1.8096%	1,840,039
Forest Grove RFPD	40,000	0.9850%	394
Gaston RFPD	90,000	2.7911%	2,512
Banks Fire District 13	755,000	2.6975%	20,366
Tualatin Valley Fire & Rescue District	45,050,000	3.1279%	1,409,119
City of Hillsboro	36,330,000	87.5045%	31,790,385
City of North Plains	260,000	100.0000%	260,000
Chehalem Park & Rec District	1,155,000	0.0152%	176
City of Cornelius	2,249,000	31.9056%	717,557
Northwest Regional ESD	-	0.0000%	-
Port of Portland	-	0.0000%	-
Yamhill County	-	0.0000%	-
Yamhill County Housing Authority	-	0.0000%	-
Subtotal, overlapping debt			<u>73,438,591</u>
Direct District net property tax backed debt			<u>302,736,991</u>
Total direct and overlapping debt			<u><u>\$ 376,175,582</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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

2004 Through 2013

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Debt Limit	\$1,415,000,484	\$1,497,006,122	\$1,497,006,122	\$1,514,893,129	\$1,556,140,350
Total net debt applicable to the limit	<u>298,721,712</u>	<u>316,641,712</u>	<u>334,631,712</u>	<u>352,216,712</u>	<u>367,827,826</u>
Legal debt margin	<u>\$1,116,278,772</u>	<u>\$1,180,364,410</u>	<u>\$1,162,374,410</u>	<u>\$1,162,676,417</u>	<u>\$1,188,312,524</u>
Total net debt applicable to the limit as a percentage of debt limit	21.11%	21.15%	22.35%	23.25%	23.64%

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

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

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

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

Source: District Financial Statements

<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
\$1,578,265,232	\$1,399,071,619	\$1,247,560,967	\$1,243,730,043	\$1,234,684,230
<u>380,501,712</u>	<u>391,061,712</u>	<u>231,880,000</u>	<u>248,025,005</u>	<u>149,580,000</u>
<u>\$1,197,763,520</u>	<u>\$1,008,009,907</u>	<u>\$1,015,680,967</u>	<u>\$995,705,038</u>	<u>\$1,085,104,230</u>
24.11%	27.95%	18.59%	19.94%	12.11%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

2004 Through 2013

Year	Population (1)	Personal Income (thousands of dollars) (Estimated)	Personal Income (2)	Unemployment Rate (2)
2004	109,000	N/A	N/A	6.80%
2005	114,948	\$3,891,335	\$33,853	7.50%
2006	131,018	4,168,731	31,818	7.50%
2007	117,402	4,252,183	36,219	4.80%
2008	134,801	4,667,619	34,626	4.60%
2009	129,407	4,692,168	36,259	9.90%
2010	132,708	4,094,042	30,850	10.40%
2011	125,609	3,770,782	30,020	9.50%
2012	127,825	3,901,475	30,522	8.10%
2013	132,506	4,170,759	31,476	7.00%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PRINCIPAL EMPLOYERS FOR THE PORTLAND, OREGON, METROPOLITAN AREA
Current Year (2013) and Nine Years Ago (2004)

<u>Employer</u>	<u>2013</u>			<u>2004</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.	16,250	1	1.57%	14,150	1	1.48%
Providence Health System	14,389	2	1.39%	13,475	2	1.40%
Oregon Health & Science University	13,733	3	1.32%	11,500	3	1.20%
Fred Meyer Stores	10,389	4	1.00%	9,492	4	0.99%
Legacy Health Systems	9,662	5	0.93%	7,816	6	0.81%
Kaiser Permanente	9,195	6	0.89%	8,051	5	0.84%
Nike	7,000	7	0.67%	4,500	8	0.47%
Wells Fargo	4,578	8	0.44%			
US Bank	4,007	9	0.39%	4,097	10	0.43%
Daimler Trucks Northwest	3,900	10	0.38%			
Safeway				6,000	7	0.63%
Tektronix				4,301	9	0.45%
Sub-total of ten largest employers	93,103		8.97%	83,382		8.69%
All other Employers	945,197		91.03%	875,718		91.31%
Total Portland-Vancouver-Hillsboro MSA Emp	1,038,300		100.00%	959,100		100.00%

Source:

Oregon Employment Department <http://www.qualityinfo.org/olmisi/Regions?area=000002&page=2>
June, 2013 Portland-Vancouver-Hillsboro MSA - Current Employment 1,038,300

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CERTIFIED, CLASSIFIED, AND ADMINISTRATIVE EMPLOYEES

Last 10 Fiscal Years

2003-04 Through 2012-13

<u>Fiscal Year</u>	<u>Certified</u>	<u>Classified</u>	<u>Administrative</u>	<u>TOTAL</u>
2003-04	858	1,038	64	1,960
2004-05	985	1,050	67	2,102
2005-06	1,044	1,050	67	2,161
2006-07	1,105	1,062	73	2,240
2007-08	1,110	1,076	73	2,259
2008-09	1,105	902	77	2,084
2009-10	1,099	869	76	2,044
2010-11	1,102	889	74	2,065
2011-12	1,060	897	69	2,026
2012-13	957	960	69	1,986

(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

2003-04 Through 2012-13

<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>
2003-04	18,079	38%	\$6,656	18
2004-05	18,437	39%	\$7,189	19
2005-06	18,711	40%	\$7,499	18
2006-07	18,997	36%	\$7,947	17
2007-08	19,122	42%	\$7,948	17
2008-09	19,530	44%	\$8,176	18
2009-10	19,767	50%	\$7,846	18
2010-11	19,765	50%	\$7,996	18
2011-12	19,850	49%	\$8,043	19
2012-13	19,809	47%	\$8,140	19

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

STUDENT ENROLLMENT AND CAPITAL ASSET STATISTICS**Last Ten Fiscal Years****2003 Through 2012**

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

Source:

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

Enrollment					
2009	2008	2007	2006	2005	2004
457	535	566	558	566	525
617	541	659	655	654	610
451	449	439	442	456	488
515	733	654	677	642	649
424	605	594	552	567	550
443	385	407	369	382	407
291	346	366	360	388	373
Closed	262	337	321	311	309
472	481	505	534	557	607
215	209	226	248	269	297
472	-	-	-	-	-
537	620	656	632	612	622
543	550	563	577	567	640
191	192	206	191	212	224
402	425	440	439	395	416
503	536	533	509	503	513
461	442	362	406	401	495
513	516	543	504	513	472
320	332	310	333	351	354
Closed	355	388	388	392	387
-	-	-	-	-	-
513	-	-	-	-	-
636	647	603	612	592	587
545	-	-	-	-	-
605	594	616	592	546	649
312	402	349	358	300	326
n/a	n/a	n/a	n/a	n/a	n/a
645	609	489	431	401	
919	899	875	892	903	851
886	873	778	774	794	809
n/a	n/a	n/a	n/a	n/a	n/a
543	524	544	550	503	499
-	-	-	-	-	-
775	782	713	760	764	703
17	19	16	15	16	15
1,524	1,454	1,493	1,460	1,587	2,107
1,490	1,427	1,444	1,464	1,516	1,773
1,270	1,264	1,269	1,171	847	n/a
1,481	1,477	1,478	1,444	1,438	1,403
50	60	69	79	81	75
20,038	19,545	19,490	19,297	19,026	18,735

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

TEACHER DATA

2012-13 SCHOOL YEAR

Education	Step	FTE	Salary
BA	2	3.10	\$34,620
BA	3	2.00	\$35,545
BA	4	5.60	\$36,256
BA	5	3.00	\$36,965
BA	6	3.37	\$38,444
BA	7	1.00	\$39,981
BA	8	1.00	\$41,581
BA	9	2.80	\$43,244
BA	10	3.40	\$44,974
BA	11	2.00	\$46,772
BA	12	2.00	\$48,643
BA	13	1.23	\$50,589
BA	13a	1.50	\$52,758
BA	13a1	14.59	\$54,320
BA+24	2	0.00	\$35,659
BA+24	3	1.00	\$36,612
BA+24	4	1.00	\$37,344
BA+24	5	0.80	\$38,075
BA+24	6	3.19	\$39,597
BA+24	7	1.00	\$41,181
BA+24	8	2.13	\$42,829
BA+24	9	1.42	\$44,542
BA+24	10	3.50	\$46,324
BA+24	11	5.61	\$48,177
BA+24	12	2.82	\$50,103
BA+24	13	1.00	\$52,107
BA+24	13a	1.00	\$54,346
BA+24	13a1	14.80	\$55,952
BA+45	2	1.00	\$36,728
BA+45	3	19.40	\$37,709
BA+45	4	1.00	\$38,463
BA+45	5	0.00	\$39,216
BA+45	6	1.00	\$40,784
BA+45	7	1.00	\$42,416
BA+45	8	0.00	\$44,112
BA+45	9	2.00	\$45,877
BA+45	10	1.00	\$47,712
BA+45	11	0.00	\$49,621
BA+45	12	1.00	\$51,605
BA+45	13	1.00	\$53,669
BA+45	14	5.00	\$55,816
BA+45	15	2.99	\$58,048
BA+45	16	3.50	\$60,370
BA+45	16a	0.50	\$62,785
BA+45	16a1	12.58	\$64,554
MA	2	16.29	\$37,832
MA	3	0.94	\$38,842
MA	4	24.52	\$39,619
MA	5	14.90	\$40,395
MA	6	35.94	\$42,010

Education	Step	FTE	Salary
MA	7	31.55	\$43,691
MA	8	28.96	\$45,439
MA	9	36.72	\$47,256
MA	10	39.72	\$49,146
MA	11	23.10	\$51,112
MA	12	15.74	\$53,156
MA	13	27.66	\$55,282
MA	14	30.01	\$57,493
MA	15	23.06	\$59,793
MA	16	25.58	\$62,186
MA	17	17.75	\$64,673
MA	17a	8.50	\$67,260
MA	17a1	70.68	\$69,154
MA+24	2	0.00	\$38,965
MA+24	3	1.40	\$40,006
MA+24	4	4.45	\$40,806
MA+24	5	4.60	\$41,605
MA+24	6	6.60	\$43,269
MA+24	7	18.72	\$45,000
MA+24	8	21.50	\$46,800
MA+24	9	20.05	\$48,672
MA+24	10	9.38	\$50,619
MA+24	11	5.00	\$52,643
MA+24	12	9.42	\$54,749
MA+24	13	12.34	\$56,939
MA+24	14	15.90	\$59,217
MA+24	15	7.57	\$61,585
MA+24	16	2.00	\$64,049
MA+24	17	8.41	\$66,610
MA+24	17a	3.50	\$69,275
MA+24	17a1	48.10	\$71,227
MA+45	2	0.00	\$40,134
MA+45	3	0.00	\$41,206
MA+45	4	0.00	\$42,030
MA+45	5	0.50	\$42,852
MA+45	6	4.00	\$44,567
MA+45	7	7.67	\$46,349
MA+45	8	12.48	\$48,203
MA+45	9	11.00	\$50,132
MA+45	10	11.00	\$52,138
MA+45	11	8.20	\$54,223
MA+45	12	8.66	\$56,391
MA+45	13	11.00	\$58,647
MA+45	14	8.35	\$60,993
MA+45	15	12.05	\$63,433
MA+45	16	15.70	\$65,970
MA+45	17	6.31	\$68,609
MA+45	17a	9.00	\$71,353
MA+45	17a1	81.07	\$73,364

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF REVENUES

FOR THE YEAR ENDED JUNE 30, 2013

	Fund 100	Fund 200
REVENUES:		
Revenue from local sources:		
1110 Ad valorem taxes paid by District	\$ 53,810,876	\$ -
1190 Penalties and interest on taxes	15,889	-
1200 Revenue from local governments- Construction Excise Tax	-	1,175,684
1310 Tuition	-	-
1330 Summer School Tuition	-	-
1400 Transportation fees	76,024	-
1500 Earning on investments	182,385	-
1600 Food service	-	1,672,468
1700 Extracurricular activities	449,328	4,594,641
1910 Rentals	135,613	-
1920 Contributions & donations	-	589,980
1940 Services provided to other LEA	60,890	-
1960 Recovery of prior year	72,854	44,657
1970 Pension bonds	-	-
1980 Fees charged to grants	509,521	-
1990 Miscellaneous	128,161	323,443
Total Revenue from local sources	55,441,541	8,400,873
Revenue from intermediate sources:		
2101 County school funds	371,920	-
2103 ESD	500,000	-
2180 Strategic investment program - unrestricted	-	-
2199 Other intermediate sources	11,619	-
2200 Restricted revenue	-	450,972
Total Revenue from Intermediate Sources	883,539	450,972
Revenue from state sources:		
3101 State school fund - general support	86,262,985	-
3102 State school fund - school lunch match	-	84,747
3103 Common school fund	1,942,639	-
3104 State managed county timber	710,623	-
3105 State school fund - transportation grant	-	-
3200 Other Restricted grants-in-aid	-	667,897
3222 State school fund transportation equipment	7,330,009	720,000
3299 Other restricted grants-in-aid	-	443,387
Total revenue from state sources	96,246,256	1,916,031
Revenue from federal sources:		
4000 Federal Sources	-	51,449
4100 Unrestricted direct from federal government	-	10,320
4300 Restricted revenue from federal government	-	96,640
4500 Restricted revenue from federal government through the state	3,136,955	14,904,391
4700 Restricted revenue from federal government through intermediate sources	-	844,805
4900 Revenue for/on behalf of the District	-	416,692
Total revenue from federal sources	3,136,955	16,324,297
Revenue from other sources:		
5100 Capital Leases	-	-
5110 Bond Proceeds	-	-
5200 Transfers	5,000,000	83,500
5300 Sale or compensation for loss of fixed assets	904	-
5400 Resources - beginning fund balance	9,637,120	7,064,925
Total revenue from other sources	14,638,024	7,148,425
TOTAL REVENUES	\$ 170,346,315	\$ 34,240,598

Fund 300	Fund 400	Fund 600	Total
\$ 28,013,245	\$ -	\$ -	\$ 81,824,121
8,207	-	-	24,096
-	-	-	1,175,684
-	-	-	-
-	-	-	-
-	-	-	76,024
82,607	18,158	-	283,150
-	-	-	1,672,468
-	-	-	5,043,969
-	-	-	135,613
-	-	-	589,980
-	-	-	60,890
-	8	-	117,519
6,530,298	-	-	6,530,298
-	-	-	509,521
-	-	-	451,604
34,634,357	18,166	-	98,494,937
-	-	-	371,920
-	-	-	500,000
-	-	-	-
-	-	-	11,619
-	-	-	450,972
-	-	-	1,334,511
-	-	-	86,262,985
-	-	-	84,747
-	-	-	1,942,639
-	-	-	710,623
-	-	-	-
-	-	-	667,897
-	-	-	8,050,009
-	-	-	443,387
-	-	-	98,162,287
-	-	-	-
-	-	-	10,320
-	-	-	96,640
-	-	-	18,041,346
-	-	-	844,805
-	-	-	416,692
-	-	-	19,461,252
-	-	-	-
96,794	-	-	96,794
-	13,917	-	5,097,417
-	-	-	904
3,358,031	13,463,581	3,000,000	36,523,657
3,454,825	13,477,498	3,000,000	41,718,772
\$ 38,089,182	\$ 13,495,664	\$ 3,000,000	\$ 259,171,759

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF GENERAL FUND EXPENDITURES**FOR THE YEAR ENDED JUNE 30, 2013**

	Object 100	Object 200	Object 300
EXPENDITURES:			
Instruction:			
1111 Primary programs	\$ 22,809,386	\$ 10,632,049	\$ 453,097
1113 Elementary extracurricular	3,126	920	-
1121 Middle School programs	6,186,326	3,057,469	39,133
1122 Middle School extracurricular	41,525	11,691	177
1123 Middle School Saturday school	5,296	1,453	-
1131 High School programs	12,090,685	5,967,124	116,165
1132 High School extracurricular	1,321,909	465,939	274,389
1133 High School Saturday school	17,373	11,830	-
1210 Talented and Gifted	154,091	67,288	37,330
1220 Students with disabilities-restricted	5,437,776	3,511,468	356,220
1250 Students with disabilities - less restricted	6,988,122	4,310,896	10,537
1271 Remediation	-	-	-
1272 Title 1	28	7	-
1280 Alternative Education	920,667	447,742	1,275,344
1290 Designated Programs	4,776,686	2,779,831	45,694
1430 Secondary summer school	-	326	-
Total Instruction	60,752,996	31,266,033	2,608,086
Support services:			
2110 Attendance and social work services	650,480	213,818	303,948
2120 Guidance Services	3,048,290	1,537,361	16,341
2130 Health Services	255,883	196,500	385
2140 Psychological services	361,049	158,097	177,571
2150 Speech pathology services	1,181,529	569,958	6,461
2160 Other student treatment services	-	-	81,759
2190 Service direction, student special education	(9,159)	768	49,548
2210 Improvement of Instructional services	195,315	52,473	203,121
2220 Educational media services	779,595	553,633	1,932
2230 Assessment and testing	50,349	10,107	62,363
2240 Instructional staff development	145,403	43,667	95,454
2310 Board of Education services	64,139	18,161	28,859
2320 Executive administration services	508,137	196,142	126,863
2410 Office of the principal services	7,539,926	3,947,785	170,659
2490 Other support services school administration	552,888	253,418	120,448
2510 Direction of business support services	470,969	263,783	170,344
2520 Fiscal services	423,651	251,713	26,422
2540 Operation and maintenance of plant	4,530,677	2,701,496	7,636,018
2550 Student transportation services	6,432,107	4,429,382	239,377
2570 Internal services	210,575	112,700	-
2610 Direction of Central Support Services	-	-	1,063
2630 Information/production services	176,932	77,203	92,859
2640 Staff services	375,435	812,751	138,906
2660 Technology services	1,463,413	659,051	951,103
2670 Records management services	-	-	20,507
2690 Other support services	104,358	45,062	-
2700 Early retirement program	894,130	45,498	-
Total support services	30,406,071	17,150,527	10,722,311
Enterprise Services			
3300 Other community services	208,598	114,777	43,152
Total community services	208,598	114,777	43,152
Debt service			
5110 Long-term debt service	-	-	-
Total debt service	-	-	-
TOTAL EXPENDITURES	\$ 91,367,665	\$ 48,531,337	\$ 13,373,549

Object 400	Object 500	Object 600	Total
\$ 427,128	\$ -	\$ -	\$ 34,321,660
-	-	-	4,046
97,397	-	1,334	9,381,659
202	-	-	53,595
-	-	-	6,749
157,735	-	3,932	18,335,641
44,037	-	62,992	2,169,266
-	-	-	29,203
25,338	-	1,946	285,993
81,631	-	38,015	9,425,110
23,989	-	298	11,333,842
555	-	-	555
-	-	-	35
137,241	-	49,255	2,830,249
32,984	-	34	7,635,229
-	-	-	326
1,028,237	-	157,806	95,813,158
5,558	-	-	1,173,804
8,192	-	119	4,610,303
5,675	-	-	458,443
10,805	-	-	707,522
3,275	-	410	1,761,633
-	-	-	81,759
9,499	-	1,237	51,893
539,658	-	-	990,567
73,795	-	181	1,409,136
51,820	-	-	174,639
24,848	-	328	309,700
6,382	-	23,998	141,539
11,670	-	2,500	845,312
316,125	-	17,116	11,991,611
175,046	-	4,276	1,106,076
13,489	-	7,692	926,277
(3,073)	-	30,825	729,538
1,211,418	52,999	807,841	16,940,449
1,438,514	42,555	61,586	12,643,521
85,536	-	-	408,811
-	-	-	1,063
5,533	-	574	353,101
14,520	-	-	1,341,612
881,092	291,387	5,835	4,251,881
1,756	-	-	22,263
-	-	-	149,420
-	-	-	939,628
4,891,133	386,941	964,518	64,521,501
2,213	-	500	369,240
2,213	-	500	369,240
-	-	527,950	527,950
-	-	-	-
-	-	527,950	527,950
\$ 5,921,583	\$ 386,941	\$ 1,650,774	\$ 161,231,849

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES**FOR THE YEAR ENDED JUNE 30, 2013**

EXPENDITURES:	100	200	300
Instruction:			
1111 Primary programs	\$ 59,252	\$ 763,038	\$ 25,669
1113 Elementary extracurricular	11,427	2,879	2,722
1121 Middle school programs	10,766	2,488	1,118
1122 Middle school extracurricular	133	36	-
1131 High school programs	154,884	47,389	55,564
1132 High school extracurricular	7,309	2,199	12,412
1133 High school Saturday school	535	(477)	-
1220 Students with disabilities - restrictive programs	999,299	500,479	48,314
1250 Students with disabilities - less restrictive programs	181,628	142,915	-
1272 Title I	1,466,566	868,320	11,699
1279 Title I - Private School	-	-	-
1280 Alternative education	349,174	151,869	95,977
1290 Designated programs	121,952	51,181	28,665
1400 Summer school program:	269,530	67,465	5,397
Total instruction	3,632,455	2,599,782	287,538
Support services:			
2110 Attendance and social work services	180,183	199,255	81,530
2120 Guidance services	7,398	3,616	31,751
2130 Health services	401,372	183,919	18,262
2140 Psychological services	291,341	139,106	-
2150 Speech pathology and audiology services	145,434	86,607	-
2160 Student treatment center	227,406	108,571	12,198
2190 Service direction, student special education	460,224	195,451	34,759
2210 Improvement of instruction services	135,554	60,407	67,469
2220 Media services	1,314	227	-
2240 Instructional staff development	856,199	330,574	438,746
2410 Office of the principal services	6,416	505	11,958
2490 Other support services school administration	97,871	27,062	950
2510 Direction of business support services	-	-	-
2520 Fiscal services	-	-	-
2540 Operation and maintenance of plant	-	-	23,570
2550 Student transportation services	-	-	77,586
2610 Direction of central support services	455,958	195,519	3,623
2620 Planning, research and development services	23,028	5,168	4,766
2640 Recruitment and placement	-	-	-
2660 Technology services	40,262	18,189	38,494
2670 Records management services	-	-	-
2700 Supplemental retirement service	-	-	-
Total support services	3,329,960	1,554,174	845,662
Enterprise and community services:			
3100 Food services	2,161,774	1,308,343	130,930
3300 Community services	50,713	24,066	92,794
Total enterprise and community services	2,212,487	1,332,409	223,725
Capital Projects			
4150 Building acquisition, construction & improvements	-	-	278,738
Total capital projects	-	-	278,738
TOTAL EXPENDITURES	\$ 9,174,902	\$ 5,486,364	\$ 1,635,663

	400	500	600	Total
\$	163,871	\$ -	\$ 540	\$ 1,012,369
	250,915	-	-	267,943
	17,824	-	-	32,196
	276,064	-	-	276,233
	109,188	-	16,777	383,802
	3,991,992	-	7,963	4,021,875
	-	-	-	58
	8,643	-	4,489	1,561,225
	60,443	-	-	384,986
	23,391	-	118,702	2,488,679
	1,484	-	-	1,484
	14,003	-	22,396	633,419
	56,533	-	22,239	280,570
	2,044	-	-	344,436
	<u>4,976,395</u>	<u>-</u>	<u>193,106</u>	<u>11,689,276</u>
	4,573	-	-	465,540
	-	-	4,987	47,752
	16,515	-	269	620,336
	-	-	-	430,447
	-	-	-	232,040
	4,241	-	15,056	367,472
	44	-	-	690,478
	11,371	-	2,220	277,021
	3,258	-	-	4,799
	30,985	-	47,806	1,704,309
	50,573	-	-	69,452
	7,308	-	-	133,190
	-	-	-	-
	65	-	-	65
	714	-	-	24,284
	-	117,959	474,461	670,007
	2,214	-	-	657,315
	7,003	-	-	39,965
	-	-	-	-
	50,394	214,905	-	362,243
	-	-	-	-
	-	-	-	-
	<u>189,257</u>	<u>332,864</u>	<u>544,799</u>	<u>6,796,717</u>
	3,646,616	9,882	305,289	7,562,834
	30,836	-	7,986	206,395
	<u>3,677,452</u>	<u>9,882</u>	<u>313,275</u>	<u>7,769,229</u>
	464	1,899,288	25,954	2,204,444
	464	1,899,288	25,954	2,204,444
\$	<u>8,843,569</u>	<u>\$ 2,242,034</u>	<u>\$ 1,077,134</u>	<u>\$ 28,459,666</u>

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF DEBT SERVICE FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2013

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	TOTAL
EXPENDITURES:							
Other uses:							
5100 Debt service	\$ -	\$ -	\$ 85,220	\$ -	\$ -	\$ 34,422,819	\$ 34,508,039

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2013

	Object 100	Object 200	Object 300	Object 400
EXPENDITURES:				
Facilities acquisition & construction expenditures				
4110 Service area direction	\$ 210,433	\$ 244,820	\$ 18,884	\$ 21,600
4150 Building acquisition, construction, & improvement services	54	14	112,789	881
TOTAL EXPENDITURES	\$ 210,487	\$ 244,834	\$ 131,673	\$ 22,481

Object 500	Object 600	TOTALS
\$ 485,518	\$ -	\$ 981,255
482,895	4,327	600,960
-		
\$ 968,413	\$ 4,327	\$ 1,582,215

SUPPLEMENTAL INFORMATION, 2012-13

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	\$ 3,269,498
Function 2550	\$ 20,648

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

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

Exclude these functions:

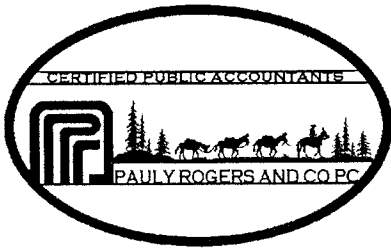
1113, 1122 & 1132 Co-curricular Activities
 1140 Pre-Kindergarten
 1300 Continuing Education
 1400 Summer School

Exclude these functions:

4150 Construction
 2550 Pupil Transportation
 3100 Food Service
 3300 Community Services

\$	3,084
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December 20, 2013

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Hillsboro School District No. 1J as of and for the year ended June 30, 2013, and have issued our report thereon dated December 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of 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 Hillsboro School District No. 1J 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:

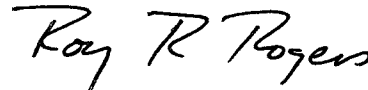
1. Expenditures of the various funds were within authorized appropriations except as noted on page 31.
2. Deposits in credit unions exceeded the maximum NCUA coverage of \$250,000 at June 30, 2013.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in the schedule of findings and questioned costs on page 107.

This report is intended solely for the information and use of the Board of Directors and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

**Grant Compliance
Review**

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**For the Year Ended June 30, 2013**

July 1, 2012 - June 30, 2013 Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period Begin Date	End Date	Revenue	Expenditures	
DEPARTMENT OF AGRICULTURE:							
Passed through Oregon Department of Education:							
Child Nutrition Cluster							
School Breakfast Program (SBP)	10.553	3408001	7/1/2012	6/30/2013	1,154,377	1,154,377	
National School Lunch Program (NSLP)	10.555	3408001	7/1/2012	6/30/2013	4,388,879	4,388,879	
Summer Food Service Program For Children (SFSPC)	10.559	3408001	7/1/2012	6/30/2013	168,494	168,494	
Total Pass-Through Programs from Child Nutrition Cluster					\$ 5,711,750	5,711,750	
Total Pass-Through Programs from Department of Education					\$ 5,711,750	5,711,750	
DEPARTMENT OF AGRICULTURE TOTAL:							
					\$ 5,711,750	5,711,750	
DEPARTMENT OF LABOR							
Passed through Work Systems, Inc:							
WIA Cluster							
WIA Youth Activities	17.259	11-70534	4/1/2012	9/30/2012	168,974	168,974	
WIA Youth Activities	17.259	12-50100	7/1/2012	6/30/2013	457,580	457,580	
Total Pass-Through Programs from WIA Cluster					\$ 626,554	626,554	
Total Pass-Through Programs from Work Systems, Inc					\$ 626,554	626,554	
DEPARTMENT OF LABOR TOTAL							
					\$ 626,554	626,554	
DEPARTMENT OF EDUCATION:							
Fund for Improvement of Education	84.215L	S215L080556-11	8/8/2008	8/7/2013	254,032	254,032	
					Direct Program	\$ 254,032	254,032
Indian Education - Grants to Local Educational Agencies	84.060A	S060A122526	7/1/2012	6/30/2013	10,320	10,320	
					Direct Program	\$ 10,320	10,320
Total Direct Programs					\$ 264,352	264,352	
Passed through University of Oregon:							
Education, Research, Development & Dissemination	84.305E	224001D	9/1/2010	6/30/2013	117,191	117,191	
Total Pass-Through Programs from University of Oregon					\$ 117,191	117,191	
Office of Vocational Rehabilitation Services							
Rehabilitation Services-Vocational Research	84.126	136025	7/1/2011	6/30/2013	103,744	103,744	
Total Pass-Through Programs from Office of Vocational Rehabilitation Services					\$ 103,744	103,744	
Passed through Oregon Department of Education:							
Title I, Part A Cluster							
Title I Grants to Local Educational Agencies (LEAs)							
Title I Grants to Local Educational Agencies	84.010	25263	7/1/2012	9/30/2012	3,112,653	3,112,653	
Title I Grants to Local Educational Agencies	84.010	22548	7/1/2011	9/30/2012	13,890	13,890	
Title I Grants to Local Educational Agencies	84.010	25180	7/1/2012	9/30/2013	19,494	19,494	
Title I Grants to Local Educational Agencies	84.010	24397	9/1/2011	9/30/2012	9,595	9,595	
Title I Grants to Local Educational Agencies	84.010	25643	8/1/2012	9/30/2013	10,000	10,000	
Title I Grants to Local Educational Agencies	84.010	26898	8/1/2012	9/30/2013	8,171	8,171	
Title I Grants to Local Educational Agencies	84.010	36899	8/1/2012	9/30/2013	17,962	17,962	
Total Pass-Through Programs from Title I, Part A Cluster					\$ 3,191,765	3,191,765	

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**For the Year Ended June 30, 2013**

July 1, 2012 - June 30, 2013 Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period Begin Date End Date		Revenue	Expenditures
Migrant Education - State Grant Program						
Migrant Education State Grant Program	84.011	22182	7/1/2011	9/30/2012	59,628	59,628
Migrant Education State Grant Program	84.011	25377	7/1/2012	9/30/2013	594,781	594,781
Migrant Education State Grant Program	84.011	25396	7/1/2012	9/30/2013	38,412	38,412
Migrant Education State Grant Program	84.011	24747	5/1/2012	9/30/2012	318,264	318,264
Migrant Education State Grant Program	84.011	27282	5/1/2013	9/30/2013	8,422	8,422
					Pass-Through \$	1,019,507
						1,019,507
Office of Special Education and Rehabilitative Services						
Special Education Cluster (IDEA)						
Special Education Grants to States	84.027	23591	7/1/2011	9/30/2013	1,593,266	1,593,266
Special Education Grants to States	84.027	26692	7/1/2012	9/30/2014	1,940,847	1,940,847
Special Education Grants to States	84.027	23812	10/1/2011	9/30/2012	6,246	6,246
Special Education Grants to States	84.027	26483	10/1/2012	9/30/2013	12,504	12,504
Special Education Grants to States	84.027	24966	9/1/2012	6/30/2013	9,000	9,000
Special Education Grants to States	84.027	23095	8/1/2012	6/30/2013	9,157	9,157
					Pass-Through \$	3,571,020
						3,571,020
Special Education Preschool Grants						
Special Education -Preschool Grants	84.173	24205	7/1/2011	9/30/2013	15,037	15,037
					Pass-Through \$	15,037
						15,037
					Total Pass-Through Programs from Special Education Cluster (IDEA) \$	3,586,057
						3,586,057
Office of Vocational and Adult Education						
Career and Technical Education - Basic Grants to States						
Career and Technical Education	84.048	22127	7/1/2011	9/30/2012	5,406	5,406
Career and Technical Education	84.048	24835	7/1/2012	9/30/2013	159,933	159,933
					Pass-Through \$	165,339
						165,339
Office of Educational Improvement and Innovation						
Homeless Education Program						
Education for Homeless Children & Youth	84.196	19887	7/1/2010	9/30/2012	7,602	7,602
					Pass-Through \$	7,602
						7,602
Effective Behavioral and Instructional Support Systems						
Special Education-State Personnel Dev.	84.323	25929	7/1/2012	3/31/2013	4,674	4,674
					Pass-Through \$	4,674
						4,674
English Language Acquisition Grants						
English Language Acquisition State Grant	84.365	25129	7/1/2012	9/30/2013	397,158	397,158
					Pass-Through \$	397,158
						397,158
Improving Teacher Quality State Grants						
Improving Teacher Quality State Grants	84.367	25489	7/1/2012	9/30/2013	453,436	453,436
Improving Teacher Quality State Grants	84.367	25623	8/1/2012	6/30/2013	300	300
					Pass-Through \$	453,736
						453,736
Education Jobs Fund, Recovery Act						
ARRA - Education Jobs Fund	84.410	20797	8/10/2010	9/30/2012	3,136,955	3,136,955
					Pass-Through \$	3,136,955
						3,136,955
					Total Pass-Through from Oregon Department of Education	11,962,793
						11,962,793
DEPARTMENT OF EDUCATION TOTAL					\$	12,448,080
						12,448,080

HILLSBORO SCHOOL DISTRICT 1J

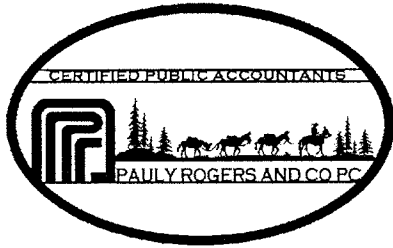
Washington County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**For the Year Ended June 30, 2013**

July 1, 2012 - June 30, 2013	Federal	Agency or	Program		Revenue	Expenditures
Federal Grantor, Program Title	CFDA Number	Pass-through Number	Begin Date	End Date		
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Affordable Care Act-Abstinence Ed. Prg.	93.235	136252	7/1/2012	6/30/2013	24,885	24,885
				Direct Program	\$ 24,885	24,885
Drug Free Community Support Prg.	93.276	5H79SP014666-04	9/30/2008	9/29/2013	96,640	96,640
				Direct Program	\$ 96,640	96,640
Affordable Care Act Grant-School Based Health Cnt.	93.501	6 C12CS21885-01-03	7/1/2011	6/30/2013	410,963	410,963
				Direct Program	\$ 410,963	410,963
				Total Direct Programs	\$ 532,488	532,488
Passed through Washington County:						
Social Services Block Grant	93.667	705015-7020420	7/1/2012	6/30/2013	25,020	25,020
				Pass Through	\$ 25,020	25,020
Promoting Safe and Stable Families	93.556	705015-7020580	7/1/2013	6/30/2013	26,429	26,429
				Pass Through	\$ 26,429	26,429
				Total Pass-Through Programs from Washington County	\$ 51,449	51,449
Passed through the Oregon Employment Department:						
Child Care and Development Block	93.575	CCD115113	7/1/2011	6/30/2013	81,332	81,332
Child Care and Development Block	93.575	CCD115113	7/1/2012	6/30/2013	8,290	8,290
					89,622	89,622
				Total Pass-Through from Oregon Employment Department	\$ 89,622	89,622
Passed through the Oregon Department of Education:						
ARRA-Head Start-Recovery	93.708	27482	3/1/2012	8/30/2013	1,309	1,309
				Pass-Through	\$ 1,309	1,309
				Total Pass-Through from Oregon Department of Education	1,309	1,309
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					\$ 674,868	674,868
TOTAL FEDERAL FINANCIAL ASSISTANCE					19,461,252	19,461,252

(1) Major Program

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December 20, 2013

To the Board of Directors
Hillsboro School District No. 1J
Washington County, Oregon

INDEPENDENT AUDITORS' 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*

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 Hillsboro School District No. 1J as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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.

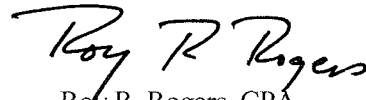
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of 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*.

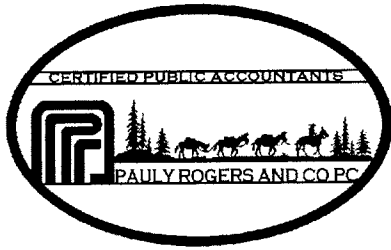
We noted a certain matter that we reported to management on the Schedule of Findings and Questioned Costs on page 107. Management's response to the finding identified in our audit was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.



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December 20, 2013

To the Board of Directors
Hillsboro School District No. 1J
Washington County, Oregon

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

Report on Compliance for Each Major Federal Program

We have audited Hillsboro School District No. 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 major federal programs for the year ended June 30, 2013. The major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 compliance.

Opinion on Each Major Federal Program

In our opinion, Hillsboro School District No. 1J, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management 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 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 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.

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.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

Hillsboro School District No. 1J
Hillsboro, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133? yes no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 510(a)? yes no

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM CLUSTER</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.410	Education Jobs Fund, Recovery Act

Dollar threshold used to distinguish between type A and type B programs: \$583,838

Auditee qualified as low-risk auditee? yes no

Hillsboro School District No. 1J
Hillsboro, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SECTION II – 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.

Management's Response: The Finance Department Supervisor (or authorized designee) will review bank reconciliations prepared by a Financial Assistant, informal or formal, within 30 days of the close of the month under review. Informal reconciliations will precede formal closing in some cases due to timing and software issues, however, every month will be formally reconciled within the District's accounting system.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. 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 preparation of, the basic financial statements.