



Comprehensive Annual Financial Report

For the Year Ended June 30, 2012



Hillsboro School District 1J
Hillsboro, Oregon

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, 2012

*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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December 30, 2012

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, there is submitted herewith the Comprehensive Annual Financial Report of Hillsboro School District 1J, Washington County, Oregon, for the year ended June 30, 2012.

This report was prepared by the Hillsboro School District's Business Office. The responsibility for the completeness and fairness of the data presented and all accompanying disclosures rests with the 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 District'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 is complete and reliable in all material respects, includes all funds and financial transactions, and is presented fairly to disclose the financial position, results of operations, and cash flows of the District at June 30, 2012, and for the year then ended.

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

THE DISTRICT

Hillsboro School District 1J was formed in July 1996 through the unification of a union high school district and its six feeder elementary school districts. This unification was accomplished under a plan developed and approved by each of the seven prior district governing bodies in response to a unification deadline mandated by Oregon State Statutes. The seven previously independent districts were Hillsboro Union High School District, and West Union, Hillsboro, Reedville, Groner, Farmington View, and North Plains Elementary School Districts.

The District, a fiscally independent entity, is organized with a seven-member elected Board of Directors and a Board-appointed budget committee. In 2011-12 the management staff consisted of 1 superintendent, 2 assistant superintendents, five executive directors, 4 directors, 1 chief financial officer, 1 chief technology officer, 35 principals, and 12 assistant principals. The District also employs 1,060 teachers and 897 support staff that include instructional assistants, secretaries, clerks, bus drivers, cooks, custodians, maintenance workers, and various other professional and technical staff. The District operates 25 elementary schools, 4 middle schools, 4 high schools, and 2 alternative schools.

The District is located approximately 18 miles west of Portland, Oregon. It includes the city of Hillsboro, the city of North Plains, a portion of the city of Cornelius, and surrounding unincorporated areas. The current estimated population is 125,609. Almost all of the more than 200 square miles encompassed in the District 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 1,780 or an average of approximately 1.0 percent per year during the last decade.

School Year	Average Daily Membership
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
2002-03	18,070

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, land purchased 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, Oregon voters passed by initiative petition a constitutional property tax limitation measure known as Ballot Measure 5. Under the terms of Ballot Measure 5, property taxes for school districts, community colleges, and educational service districts were limited to a combined total of \$15.00 per \$1,000 of market value in 1991-92. In 1992-93 through 1995-96, the maximum tax rate increased \$2.50 per \$1,000 each year to the current maximum rate of \$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 created 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 the 1994-95 tax or the 1995-96 tax less 10 percent. The measure required the 1997 state 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. Ballot Measure 50 was referred to voters by the legislature and clarified Ballot Measure 47, fixed drafting errors, and established 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 its 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, new bond issues, and required the state of Oregon to minimize the impact to school districts of the tax cuts. The state of Oregon, in its 1997 legislative session, provided additional state revenues for the 1997-1999 biennium to help alleviate the impact on school operations, and has continued to do so for the subsequent bienniums. The ultimate impact to the District as a result of this measure has been greater reliance on state funding, and less reliance on local funding.

LONG-TERM FINANCIAL PLANNING

The Hillsboro School District has emphasized a conservative long-term financial plan that stresses stability of programs we provide to students and patrons. Stability is achieved through the following actions:

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

This long-term financial plan has been developed by the Board of Directors and the appointed budget committee. The financial plan is also supported by the District's administrative team, who develops the proposed budget.

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 2011-12 year, the focus of the entire District was to maintain 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 the student population growth within the District. Oregon's school finance system involves a formula that pays for the average daily enrollment of students in various categories. The formula includes local property taxes and state payments as the 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 \$5.713 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 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, and interfund transactions and certain compensated absences and claims and judgments, which are recognized as expenditures because they will be liquidated with expendable financial resources.

The assets and liabilities of the agency funds are recorded on the modified accrual basis of accounting. The agency funds consist of the Pension Trust Fund.

The accrual and modified accrual basis of accounting as utilized by Hillsboro School District 1J are in accordance with generally accepted accounting principles.

Internal Accounting Controls:

The accounting system incorporates reasonable safeguards for the assets of the District and the reliability of the financial records. Internal controls are designed to provide an adequate safeguard of District assets recognizing that the cost of controls should not exceed the benefits derived.

The management system recognizes the significance of internal controls that are incorporated in the accounting system. We believe that the internal accounting controls adequately safeguard the assets and provide reasonable assurance of proper recording of all financial transactions.

Budgetary Control:

The District annually prepares a budget to control the fiscal operations for one year. Oregon Local Budget Law (ORS 294.305 to 294.565) requires the appointment of a budget committee to review and approve the budget. The budget committee consists of the seven members of the Board of Directors and seven electors of the District who are appointed by the Board of Directors. The administration proposes a budget to the budget committee; 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, 2011. This was the seventeenth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a school district must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement for Excellence in Financial Reporting program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

We wish to express our appreciation to the entire Business Office staff for their efforts and contributions to this Comprehensive Annual Financial Report. We would also like to thank the members of the Board of Directors for their continued support and dedication to the financial operations of the Hillsboro School District.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Scott".

Michael Scott
Superintendent of Schools

A handwritten signature in black ink, appearing to read "Adam D. Stewart".

Adam D. Stewart
Chief Financial Officer

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Enen

Executive Director

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

OFFICIALS OF THE DISTRICT

JUNE 30, 2012

BOARD OF DIRECTORS

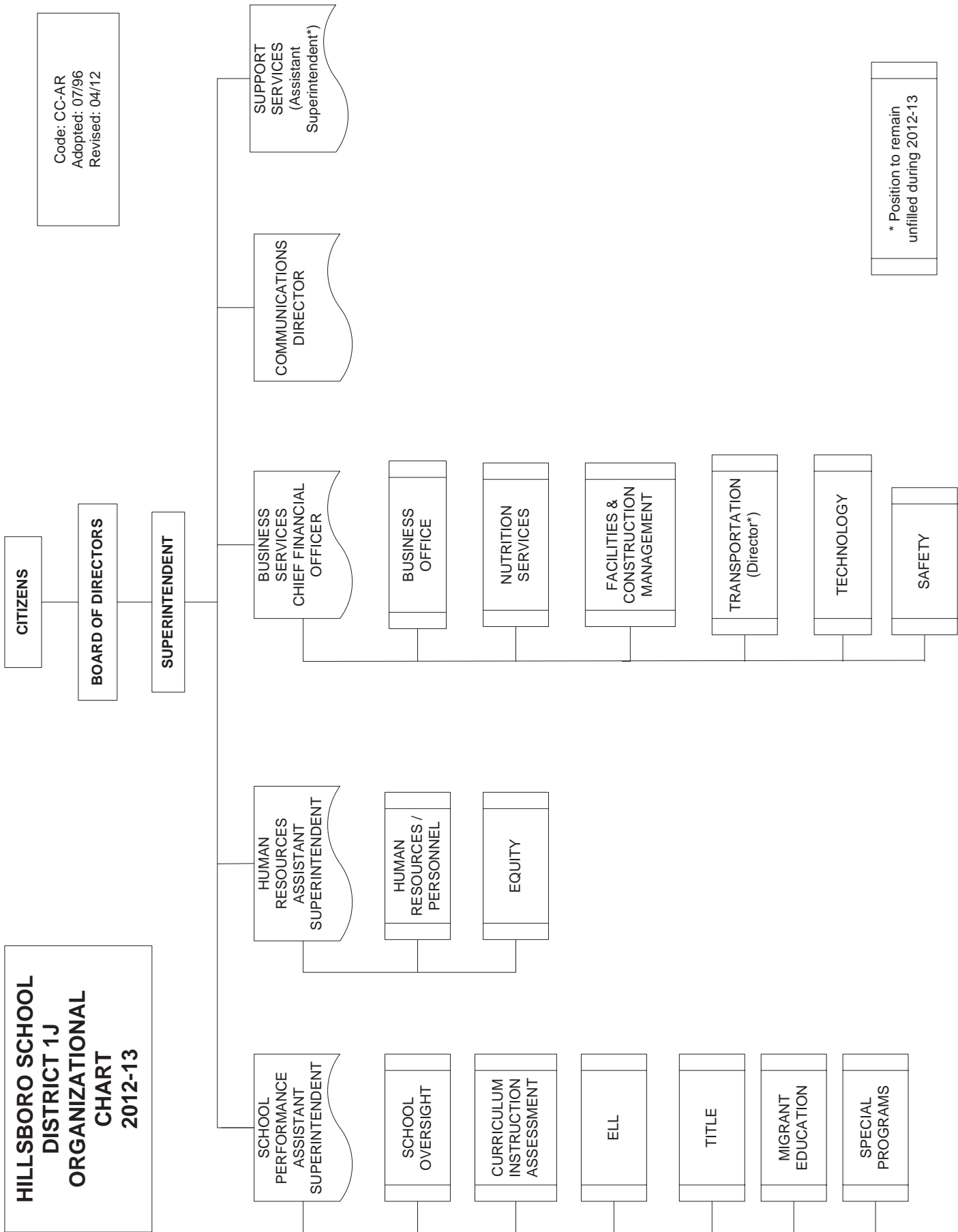
<u>Position</u>	<u>Name</u>	<u>Term Expiration</u>
Position 1	Janeen Sollman, Chair	June 30, 2013
Position 2	Carolyn Ortman	June 30, 2013
Position 3	Monte Akers	June 30, 2013
Position 4	Kim Strelchun, Vice Chair	June 30, 2015
Position 5	Adriana Cañas	June 30, 2015
Position 6	Rebecca Lantz	June 30, 2013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

DISTRICT ADMINISTRATION

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

DISTRICT ADDRESS

3083 NE 49th Place
Hillsboro, Oregon 97124



* Position to remain unfilled during 2012-13

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523
-

December 30, 2012

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

INDEPENDENT AUDITORS' REPORT

We have audited the basic financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Hillsboro School District No. 1J, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component unit – City View Charter School – were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Hillsboro School District No. 1J as of June 30, 2012 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 30, 2012 on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and do not provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 Management's Discussion and Analysis and the Schedule of Funding Progresses, as listed on the table of contents, in accordance with 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 and the Schedule of Funding Progresses, as listed in the table of contents, 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 Supplemental 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 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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, and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The introductory section, statistical section, and the other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.


PAULY, ROGERS AND CO., P.C.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. 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, \$31.5 million represents the District's investment in capital assets, \$6.8 million is restricted for special programs, \$3.4 million for debt service, \$13.5 million for Capital projects, and the (\$7.8) million balance is unrestricted and available to meet the District's ongoing obligations to citizens and creditors.
- ❖ For the fiscal year ended June 30, 2012, the District's total current and other assets decreased by \$19.7 million. This decrease is primarily due to the expenditure of approximately \$10 million 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 \$3,884,952 and the Net Pension Liability to be \$32,615 as of June 30, 2012.
- ❖ The District's governmental funds show a combined ending fund balance of \$36.5 million, a reduction of \$7.2 million in comparison with the prior year. The reduction is attributable to the use of general fund and capital project reserves to balance the 2012-13 budget. At the end of the fiscal year, the unassigned fund balance for the general fund was \$8.9 million or about 5.6 percent of total general fund expenditures. This was a decrease of approximately \$1.7 million from the previous year.
- ❖ The District's total current and long-term debt decreased by \$17.4 million during the 2011-12 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, 2012

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 Assets. The Statement of Net Assets presents information on all of the assets and liabilities of the District at year end. Net assets are what remain after the liabilities have been recognized as expenses. Over time, increases or decreases in net assets 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 assets of the District changed over the year by tracking revenues, expenses, and other transactions that increase or reduce net assets. All changes in net assets 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 16 and 17 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 divided into two categories: governmental funds and the fiduciary fund.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2012

- ❖ **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 Assets 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 18 and 20 of this report.

- ❖ **Fiduciary Fund.** The fiduciary fund is used to account for resources held for the benefit of parties outside the government. The Fiduciary fund is not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The Statement of Changes in Fiduciary Net Position can be found on page 22 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, 2012

Supplemental information. Schedules presenting detailed budgetary information for individual funds and other supplemental information can be found on pages 52-55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net assets 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, 2012.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 65.4 percent of total assets. The remaining assets consist mainly of investments, cash, grants and property taxes receivable, and unamortized bond issuance costs.

The District's largest liability (95.8 percent) is for the repayment of general obligation and pension bonds. Current liabilities, representing about 10.2 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 assets reflect 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, 2012**

Hillsboro School District 1J			
Net Assets			
(in thousands)			
	Government Activities		Increase (Decrease)
	2012	2011	from Fiscal 2011
Current and other assets	\$ 134,146	\$ 144,172	\$ (10,026)
Capital assets	254,220	263,852	(9,632)
Total assets	388,366	408,024	(19,658)
Current liabilities	14,282	12,937	1,345
Long-term debt outstanding	326,709	345,497	(18,788)
Total liabilities	340,991	358,434	(17,443)
Net assets:			
Invested in capital assets, net of related debt	31,539	43,280	(11,741)
Restricted	23,658	25,889	(2,231)
Unrestricted	(7,822)	(19,579)	11,757
Total net assets	\$ 47,375	\$ 49,590	\$ (2,215)

During the current fiscal year, the District's net assets decreased by \$2.2 million. The decrease was primarily due to the use of liquid reserves as approved by the Board.

Governmental activities. The key elements of the change in the District's net assets for the year ended June 30, 2012, are as follows:

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**FOR THE YEAR ENDED JUNE 30, 2012**

Hillsboro School District 1J Changes in Net Assets (in thousands)			
	Governmental Activities		Increase (Decrease) from Fiscal 2011
	2012	2011	
Revenues:			
Program revenues:			
Charges for services	\$ 7,262	\$ 6,377	\$ 885
Operating grants and contributions	20,891	30,623	(9,732)
Capital grants and contributions	564	97	467
General revenues:			
Property taxes	81,921	79,464	2,457
State school fund - general support	100,256	91,151	9,105
Earnings on investments	262	388	(126)
Unrestricted federal revenue	1,000	-	1,000
Gain on sale of capital assets	-	950	(950)
Miscellaneous	794	2,087	(1,293)
Total revenues	\$ 212,950	\$ 211,137	\$ 1,813
Expenses:			
Instruction	\$ 111,973	\$ 115,345	\$ (3,372)
Support Services	70,450	75,113	(4,663)
Enterprise and community services	8,278	8,110	168
Interest on long-term debt	15,657	16,560	(903)
Total Expenses	\$ 206,358	\$ 215,128	\$ (8,770)
Change in net assets	\$ (6,592)	\$ (3,993)	\$ (2,599)
Net assets - July 1	49,590	53,062	(3,472)
Prior Period Adjustment	(8,807)	521	(9,328)
Net assets - June 30	\$ 47,375	\$ 49,590	\$ (2,215)

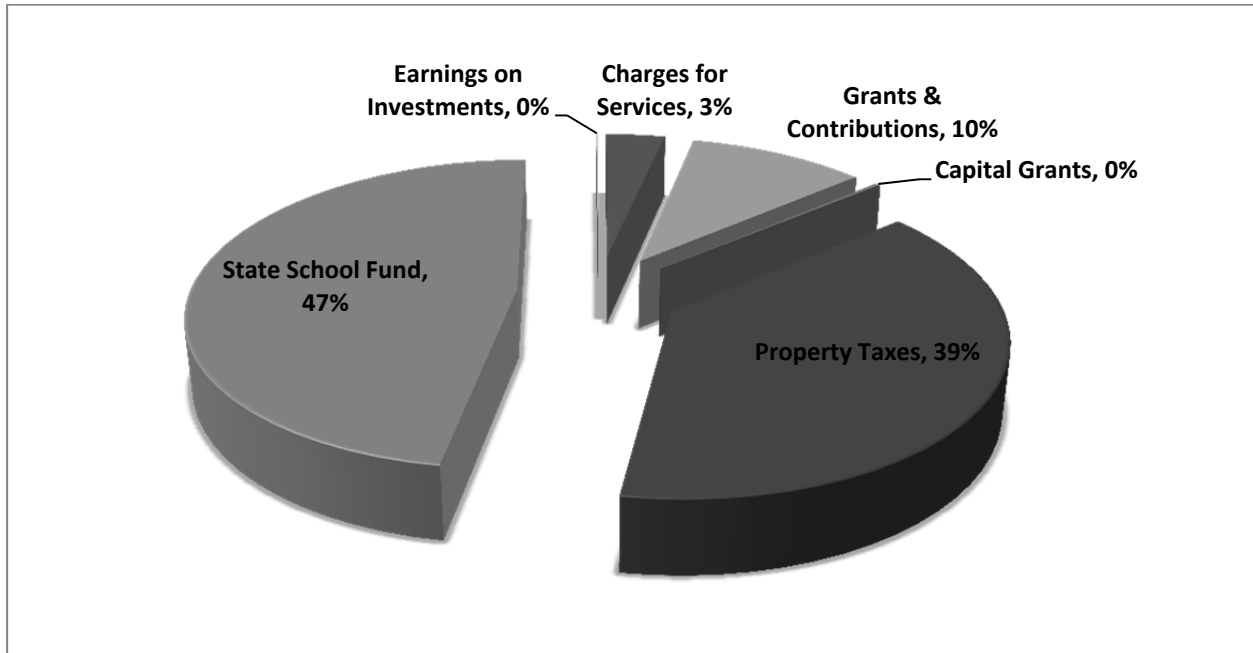
HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2012

REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



- ❖ State School Fund revenue increased \$9.1 million, an increase of 9.9 percent from 2010-11, which is a result of a very slowly improving economy.
- ❖ Investment earnings decreased by \$.13 million, reflecting a continuation of very low interest rates and fewer Capital Improvement funds to invest.
- ❖ Property Tax collections increased by \$2.5 million, a result of increasing requirements in the Debt Service Fund and continued growth in District Assessed Value.

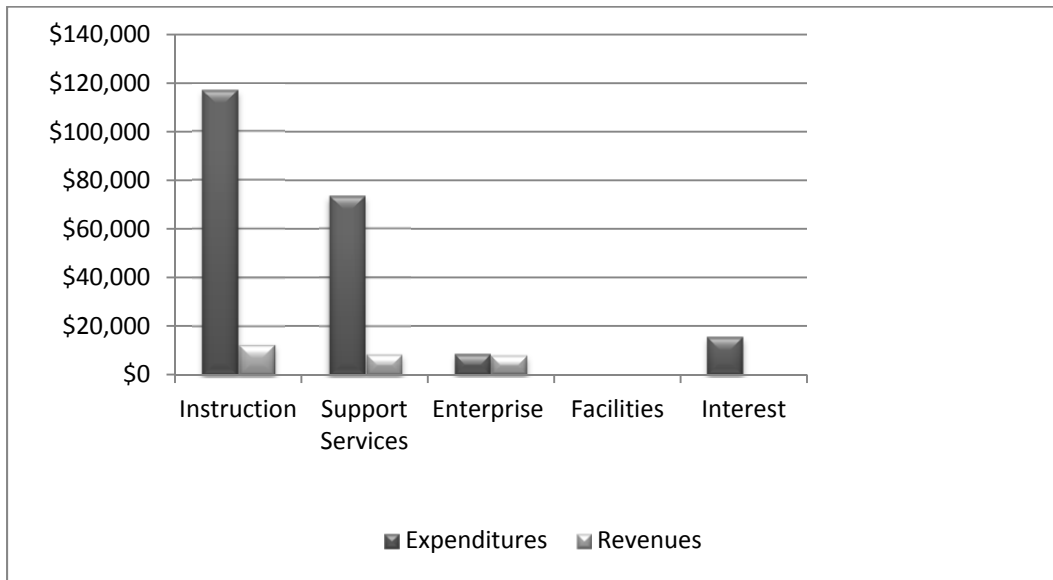
HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, the District's governmental funds reported combined ending fund balances of \$36.5 million, a decrease of \$7.2 million in comparison with the prior year. About \$8.9 million (24.5 percent) of the ending fund balance constitutes unassigned ending fund balance, which is available for spending at the government's discretion. About \$13.5 million (36.9 percent) of the ending fund balance is restricted for capital projects. An additional \$3.4 million (9.3 percent) is restricted for debt service obligations.

- ❖ **General Fund.** The General Fund is the chief operating fund of the District. As of June 30, 2012, total fund balance was \$12.6 million. As a measure of

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

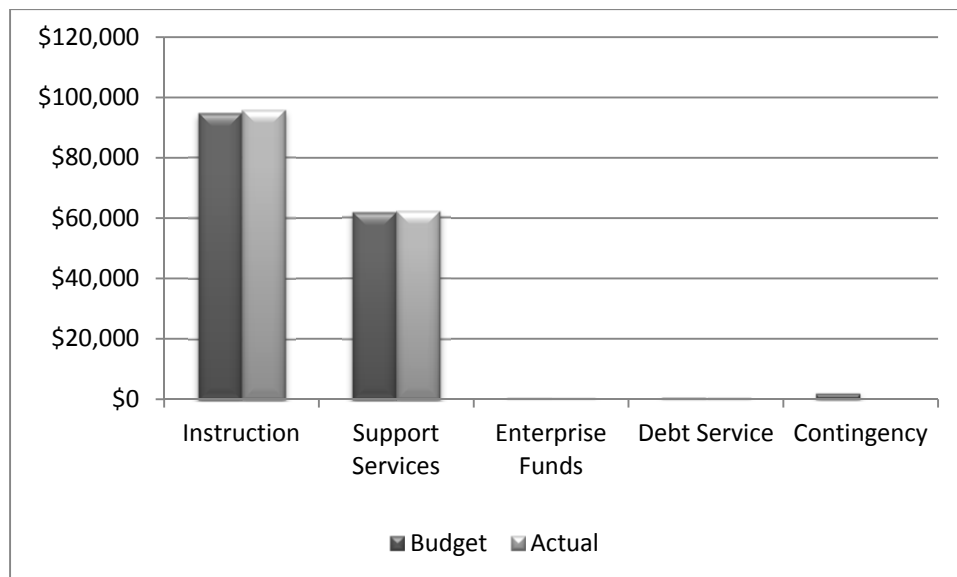
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2012

the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 7.9 percent of total General Fund expenditures. The fund balance decreased by \$2.8 million during the current fiscal year. This decrease was due primarily to a decrease in total district revenues.

- ❖ Special Revenue Fund. At June 30, 2012, the fund balance was \$7.1 million, which is an increase of \$2 million from the prior year.
- ❖ Debt Service Fund. The Debt Service Fund has a total fund balance of \$3.4 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 \$0.05 million. The \$3.4 million level of carryover is adequate to address Debt Service requirements until property taxes are received in November.
- ❖ Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$13.5 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 \$6.5 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, 2012

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund adopted budget for the fiscal year ended June 30, 2012, was unchanged during the fiscal year. During the year expenditures were about \$0.6 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, 2012, the District had invested over \$254 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
		2012		2011		Fiscal 2011
Land	\$	34,784		\$	30,534	\$ 4,250
Buildings and improvements		208,638			214,305	(5,667)
Vehicles and equipment		10,709			10,206	503
Construction in progress		89			0	89
Total	\$	254,220		\$	255,045	\$ (825)

During the year, the District's investment in capital assets decreased by \$.8 million. This reduction is due to additions and retirements 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, 2012

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$327 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 2011
	2012	2011	
General obligation bonds	\$217,577	\$234,112	\$(16,535)
Certificates of participation	5,105	6,538	(1,433)
Early retirement program	1,078	1,383	(306)
Net pension obligation	33	(19)	52
PERS pension bonds	99,065	100,520	(1,455)
Postretirement obligations	3,885	2,945	940
TOTAL	\$326,742	\$345,479	\$(18,737)

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 \$1.5 billion, which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 6 on page 37 of this report.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, 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 that spread the liability through 2028 and increased the long-term debt of the District. The employer rate was reduced from 17.6 percent to 12.8 percent for Tier 1 & 2 employees and resulted in a \$3.3 million savings to the general operational budget in 2008-09. The employer rate was reduced from 19.9 percent to 15.1 percent for OPSRP employees and resulted in a \$1.4 million savings to the general operational budget in 2008-09. The pension bonds allowed the District to reduce its PERS obligation by a total of \$4.7 million during the 2008-09 school year. The District has established a PERS Reserve Fund, which currently has a balance of \$4.5 million. The PERS Reserve Fund was rolled into the General Fund for GASB #54 purposes. In July 2011, the District experienced an increase in its PERS rates from 11.3 percent of payroll to 18.6 percent of payroll, an increase of approximately \$7.0 million for the 2011-12 school year. The District anticipates that the PERS Employer rates will increase in July, 2013 by as much as an additional 7.0% of payroll, an increase of an additional \$7.0 million for the 2013-14 school year.

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 3. A new three year contract was signed with the Hillsboro Classified United (HCU) that covers the 2012-15 school years. 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 and 2012-13 school years, and made significant concessions to help mitigate the impact of the loss in state funding.

The enrollment for 2011-12 increased by 27 students over 2010-11.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2012

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 ASSETS**FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities	Component Unit
ASSETS:		
Cash and investments	\$ 39,897,132	\$ 143,284
Receivables	12,707,955	-
Supply inventory	342,152	-
Prepaid PERS unfunded liability	80,624,304	-
Prepaid expenses	574,113	5,200
Capital assets:		
Not being depreciated	34,873,045	-
Being depreciated, net of accumulated depreciation	219,347,329	18,160
Total assets	388,366,030	166,644
LIABILITIES:		
Accounts payable	1,293,713	10,488
Accrued payroll, payroll taxes and employee withholdings	11,678,060	13,413
Accrued interest payable	552,638	-
Construction retainage	182,230	-
Unearned revenue	120,187	2,368
Accrued compensated absences payable	422,390	-
Long-term debt:		
Due within one year	21,750,918	-
Due in more than one year	304,990,921	-
Total liabilities	340,991,057	26,269
NET ASSETS:		
Invested in capital assets, net of related debt	31,538,602	18,160
Restricted for special programs	6,837,003	-
Restricted for debt service	3,358,031	-
Restricted for capital projects	13,463,581	-
Unrestricted	(7,822,244)	122,215
TOTAL NET ASSETS	\$ 47,374,973	\$ 140,375

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, 2012

FUNCTION	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	COMPONENT UNIT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
Instruction	\$ 111,973,461	\$ 5,330,102	\$ 6,435,939	\$ -	\$ (100,207,420)	\$ (668,934)
Support services	70,449,859	210,960	8,666,716	-	(61,572,183)	(185,971)
Community services	8,277,973	1,720,616	5,788,841	563,818	(204,698)	-
Interest on long-term debt	15,656,739	-	-	-	(15,656,739)	-
TOTAL GOVERNMENT ACTIVITIES	\$ 206,358,032	\$ 7,261,678	\$ 20,891,496	\$ 563,818	(177,641,040)	(854,905)
GENERAL REVENUES:						
					54,224,135	-
					27,696,616	-
					100,256,023	879,490
					1,000,000	-
					261,912	-
					794,235	-
					184,232,921	879,490
CHANGE IN NET ASSETS						
					6,591,880	24,585
NET ASSETS, July 1, 2011						
					49,589,659	115,790
PRIOR PERIOD ADJUSTMENT						
					(8,806,566)	-
NET ASSETS, JUNE 30, 2012						
					\$ 47,374,973	\$ 140,375

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

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<u>ASSETS</u>					
Cash and investments	\$ 22,101,194	\$ 1,009,583	\$ 3,116,031	\$ 13,670,324	\$ 39,897,132
Receivables	5,110,517	6,086,909	1,510,529	-	12,707,955
Inventory	119,653	222,499	-	-	342,152
Prepaid items	568,690	5,423	-	-	574,113
TOTAL ASSETS	<u>\$ 27,900,054</u>	<u>\$ 7,324,414</u>	<u>\$ 4,626,560</u>	<u>\$ 13,670,324</u>	<u>\$ 53,521,352</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 1,123,042	\$ 139,302	\$ -	\$ 31,369	\$ 1,293,713
Accrued payroll, payroll taxes and employee withholdings	11,678,061	-	-	-	11,678,061
Construction retainage	6,856	-	-	175,374	182,230
Deferred revenue	2,454,975	-	1,268,529	-	3,723,504
Unearned revenue	-	120,187	-	-	120,187
TOTAL LIABILITIES	<u>15,262,934</u>	<u>259,489</u>	<u>1,268,529</u>	<u>206,743</u>	<u>16,997,695</u>
FUND BALANCES:					
Nonspendable:					
Inventory	119,653	222,499	-	-	342,152
Prepaid items	568,690	5,423	-	-	574,113
Restricted for:					
Special Programs	-	6,837,003	-	-	6,837,003
Debt Services	-	-	3,358,031	-	3,358,031
Capital Projects	-	-	-	13,463,581	13,463,581
Assigned for:					
PERS Reserve	3,000,000	-	-	-	3,000,000
Unassigned	8,948,777	-	-	-	8,948,777
TOTAL FUND BALANCES	<u>12,637,120</u>	<u>7,064,925</u>	<u>3,358,031</u>	<u>13,463,581</u>	<u>36,523,657</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 27,900,054</u>	<u>\$ 7,324,414</u>	<u>\$ 4,626,560</u>	<u>\$ 13,670,324</u>	<u>\$ 53,521,352</u>

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS

AT JUNE 30, 2012

TOTAL FUND BALANCES \$ 36,523,657

Capital assets are not financial resources and therefore are not reported in the governmental funds:

Capital assets	\$ 381,146,525	
Accumulated depreciation	<u>(126,926,151)</u>	
		254,220,374

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. 3,723,504

The District sold pension bonds to prepay a long-term unfunded liability for current expenditures, therefore, it is not reported in the governmental funds. 80,624,304

Net pension asset (obligation) (32,615)

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	(552,638)	
Bonds payable (net of premium and discount)	(217,576,712)	
Certificates of participation payable	(5,105,060)	
Early retirement plan liability	(1,077,500)	
Net OPEB obligation	(3,884,952)	
PERS pension bonds payable	(99,065,000)	
Accrued compensated absences payable	<u>(422,390)</u>	
		<u>(327,684,251)</u>

TOTAL NET ASSETS \$ 47,374,973

(326,054,113)
401,239,241

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, 2012**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:					
Local sources:					
Property taxes	\$ 53,584,818	\$ -	\$ 27,363,212	\$ -	\$ 80,948,030
Charges for services	526,807	8,730,407	-	-	9,257,214
Earnings on investments	185,615	-	61,599	14,698	261,912
Other	333,635	-	6,190,386	-	6,524,021
Intermediate sources	295,626	563,818	-	28,856	888,300
State sources	100,256,023	1,662,637	-	-	101,918,660
Federal sources	1,000,000	17,400,804	-	-	18,400,804
Total Revenues	<u>156,182,524</u>	<u>28,357,666</u>	<u>33,615,197</u>	<u>43,554</u>	<u>218,198,941</u>
EXPENDITURES:					
Current:					
Instruction	95,804,549	11,814,470	-	-	107,619,019
Support services	61,606,437	6,103,755	-	-	67,710,192
Enterprise Services	365,993	7,590,065	-	-	7,956,058
Facilities and acquisition	-	141,537	-	1,718,478	1,860,015
Capital outlay	660,218	757,098	-	4,789,316	6,206,632
Debt service:					
Other	250	-	800	-	1,050
Principal	375,000	-	17,990,000	-	18,365,000
Interest	157,950	-	15,573,261	-	15,731,211
Total Expenditures	<u>158,970,397</u>	<u>26,406,925</u>	<u>33,564,061</u>	<u>6,507,794</u>	<u>225,449,177</u>
Excess (deficiency) of revenues over expenditures and net	(2,787,873)	1,950,741	51,136	(6,464,240)	(7,250,236)
Other financing sources, (Uses):					
Sale or compensation for loss of fixed asset	1,718	-	-	-	1,718
NET CHANGE IN FUND BALANCE	(2,786,155)	1,950,741	51,136	(6,464,240)	(7,248,518)
FUND BALANCES,					
July 1, 2011	<u>15,423,275</u>	<u>5,114,184</u>	<u>3,306,895</u>	<u>19,927,821</u>	<u>43,772,175</u>
FUND BALANCES,					
June 30, 2012	<u>\$ 12,637,120</u>	<u>\$ 7,064,925</u>	<u>\$ 3,358,031</u>	<u>\$ 13,463,581</u>	<u>\$ 36,523,657</u>

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

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

FOR THE YEAR ENDED JUNE 30, 2012

NET CHANGES IN FUND BALANCES **\$ (7,248,518)**

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	\$ 8,043,533	
Depreciation	(8,572,532)	
Loss on Disposal of capital assets	<u>(296,041)</u>	
		(825,040)

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 issuance costs	(11,250)
Amortization of prepaid pension costs	(5,039,019)

Governmental funds do not accrue interest payable, but are accrued in the government-wide statements.	74,472
--	--------

Change in net pension asset	(51,402)
-----------------------------	----------

Change in net OPEB obligation	(940,192)
-------------------------------	-----------

Change in termination benefits liability	305,268
--	---------

Repayment of principal on long-term debt is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. Additions to bond principal and post retirement obligations are an expense for the Statement of Net Assets but not the governmental funds.	19,423,124
---	------------

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.	946,733
---	---------

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.	(42,297)
---	----------

CHANGE IN NET ASSETS	<u><u>\$ 6,591,880</u></u>
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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Pension Trust Fund</u>
DEDUCTION:	
Postemployment benefits	\$ 165,153
Transfer out	<u>-</u>
CHANGE IN NET ASSETS	(165,153)
NET ASSETS - held in trust for postemployment benefits - July 1, 2011	<u>165,153</u>
NET ASSETS - held in trust for postemployment benefits - June 30, 2012	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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, as established by the Government Accounting Standards Board (GASB) Statement 39, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationship with the District. The District has one component unit, City View Charter School. The charter school was organized under the provisions for Oregon Revised Statutes Chapter 338 for the purposes of operating a charter school. The charter school is considered a component unit because the District is the body that has the authority to approve or revoke the school's charter agreement establishing its charter school status. The component unit representing City View Charter School is discretely presented. Oregon Revised Statutes also require that the charter school be reported as a component unit of the school district with charter approval authority. Detailed information about the school's financial statements is contained in the component unit financial report of the City View Charter School, which is issued separately.

Basis of Presentation

Government-wide financial statements. The Statement of Net Assets and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District, except fiduciary activities. 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, 2012

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.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter is excluded from the government-wide financial statements.

Net assets are reported as restricted when constraints placed on net asset 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 including those of a fiduciary nature. Separate statements for each fund category—governmental and fiduciary—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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The District also reports the following fund:

- ◆ **Pension Trust Fund.** This fund accounts for the accumulation of resources to be used for payment to employees who receive post-employment benefits.

Measurement Focus and Basis of Accounting

Government-wide statements and fiduciary fund 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.

For the purposes of government-wide financial statements, the District follows Financial Accounting Standards Board (FASB) statements and interpretations of Accounting Principles Board Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, unless they conflict or contradict the guidance of Governmental Accounting Standards Board pronouncements. The District has elected not to follow subsequent private-sector guidance.

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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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 claims and judgments (which are generally liquidated by the General Fund), and are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds, and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Use of Estimates

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

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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

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

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

Grants

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

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, 2012. 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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 to 50 years
Furniture and fixtures	15 to 30 years
Equipment	5 to 20 years
Motor vehicles	10 years
Information technology equipment	5 years

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay, including related payroll taxes, is accrued when earned in the government-wide financial statements. The total liability for compensated absences due within one year is approximately \$422,390. 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.

Long-term Debt

In the government-wide financial statements, long-term debt is reported as liabilities in the Statement of Net Assets. 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.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

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).
- ◆ 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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

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

There were no committed fund balances at June 30, 2012.

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.

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	

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stewardship, Compliance, and Accountability (Continued)

Expenditures of the various funds were within authorized appropriations except the General Fund, Instruction was over-expended by \$500,199, General Fund, Support Services by \$905,265; General Fund, Enterprise Funds were over-expended by \$8,199; General Fund, Debt Service by \$250; and Debt Service Fund, Debt Service was over-expended by \$800 .

Budgetary Basis of Accounting

While the District reports financial position, results of operations, and changes in fund balance/net assets 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 liabilities are recorded as an expense when paid and debt is recorded as a revenue when borrowed, inventory and capital outlay expenditures are expensed when purchased, depreciation and amortization are not recorded, and property taxes are recorded as revenue when received.

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, 2012, the bank balance totaled \$27,975,910, of which \$8,647,150 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, 2012, the credit union balance totaled \$908,717, 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.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2. CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

Cash and investments are comprised of:

Cash on hand	\$ 2,100
Deposits with financial institutions:	
Demand deposits	12,967,497
Money market	12,478,803
Certificates of deposit	1,267,105
Investments (LGIP)	13,181,627
Total	<u><u>\$ 39,897,132</u></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, 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, 2012.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2. CASH AND INVESTMENTS (Continued)

Investments (Continued)

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, 2012. 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, 2012, 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	\$ 13,181,627	\$ 13,181,627	\$ -	\$ -
Total	<u>\$ 13,181,627</u>	<u>\$ 13,181,627</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, 2012

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

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, 2012, the District was in compliance with all percentage restrictions.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3. RECEIVABLES

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

Receivables are comprised of the following:

Property taxes	\$ 4,098,422
Grants	7,040,059
Interest and other	1,569,474
Total	<u>\$ 12,707,955</u>

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

Capital Assets Year Ended June 30, 2012	Restated Balance July 1, 2011	Increase	Retirements	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 30,534,008	\$ 4,250,000	\$ -	\$ 34,784,008
Construction in Progress	-	89,037	-	89,037
Total capital assets not being depreciated	<u>30,534,008</u>	<u>4,339,037</u>	<u>-</u>	<u>34,873,045</u>
Capital assets being depreciated:				
Building and improvements	303,564,187	1,271,954	(2,643,399)	302,192,742
Original furniture and fixtures	25,004,460	-	(1,525,211)	23,479,249
Equipment	2,580,844	538,941	(4,286)	3,115,499
Motor vehicles	13,228,395	1,669,956	-	14,898,351
Information technology equipment	2,363,994	223,645	-	2,587,639
Total capital assets being depreciated	<u>346,741,880</u>	<u>3,704,496</u>	<u>(4,172,896)</u>	<u>346,273,480</u>
Less accumulated depreciation for:				
Building and improvements	(89,258,840)	(6,749,334)	2,453,488	(93,554,686)
Original furniture and fixtures	(20,097,306)	(363,510)	1,525,081	(18,935,735)
Equipment	(2,090,860)	(131,258)	(86,762)	(2,308,880)
Motor vehicles	(9,656,496)	(870,387)	30,215	(10,496,668)
Information technology equipment	(1,126,973)	(458,043)	(45,166)	(1,630,182)
Total accumulated depreciation	<u>(122,230,475)</u>	<u>(8,572,532)</u>	<u>3,876,856</u>	<u>(126,926,151)</u>
Total capital assets being depreciated, net	<u>224,511,405</u>	<u>(4,868,036)</u>	<u>(296,040)</u>	<u>219,347,329</u>
Total capital assets, net	<u>\$ 255,045,413</u>	<u>\$ (528,999)</u>	<u>\$ (296,040)</u>	<u>\$ 254,220,374</u>

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

4. CAPITAL ASSETS (Continued)

The restatement is due to the use of net value for the initial acquisition of fixed assets in 2008-09. To correct this, accumulated depreciation was added back to cost. The 2009-10 depreciation was mistakenly added back as well. To reverse this, the 2009-10 depreciation was removed from the total cost.

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

<u>PROGRAM</u>	<u>DEPRECIATION</u>
Instruction	\$ 5,033,506
Support Services	3,166,909
Enterprise and Community Services	372,117
Total depreciation	<u>\$ 8,572,532</u>

5. COMPENSATED ABSENCES

Activity for compensated absences for the year ended June 30, 2012, all of which are considered due within one year, as follows:

Balance July 1, 2011	\$ 380,093
Additions	422,390
Payments	<u>(380,093)</u>
Balance June 30, 2012	<u>\$ 422,390</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTSFOR THE YEAR ENDED JUNE 30, 2012**6. LONG-TERM DEBT**

Long-term debt is comprised of:

Bonds payable	\$	217,576,712
Certificates of participation		5,105,060
Net Termination Benefits		1,077,500
Net OPEB obligation		3,884,952
Net pension obligation		32,615
PERS pension bonds		99,065,000
Balance June 30, 2012	\$	<u>326,741,839</u>
Due within one year	\$	21,750,918
Due in more than one year		<u>304,990,921</u>
Total	\$	<u>326,741,839</u>

Bonds Payable

Bonds payable transactions for the year are as follows:

Description	Original Issue	Outstanding July 1, 2011	Additions	Matured and Redeemed	Outstanding July 30, 2012	Due Within One Year
Hillsboro School District 1J, issued March 1, 1998, interest rate 4.0-5.0%	\$ 22,795,000	\$ 10,855,000	\$ -	\$ 2,515,000	\$ 8,340,000	\$ 2,640,000
Hillsboro School District 1J refunding issue May 2005, interest 3.7-5.12%	78,055,000	68,775,000	-	7,890,000	60,885,000	8,480,000
Hillsboro School District 1J issued December 19, 2006, interest at 4.0-5.0%	168,996,712	154,481,712	-	6,130,000	148,351,712	6,695,000
Total	<u>\$ 269,846,712</u>	<u>\$ 234,111,712</u>	<u>\$ -</u>	<u>\$ 16,535,000</u>	<u>\$ 217,576,712</u>	<u>\$ 17,815,000</u>

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Future maturities of bond principal and interest are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012-13	\$ 17,815,000	\$ 10,078,851
2013-14	19,210,000	9,252,800
2014-15	20,235,000	8,342,851
2015-16	18,775,000	7,452,270
2016-17	20,365,000	6,513,288
2017-2022	71,215,000	19,357,513
2022-2026	49,961,712	19,796,369
 TOTAL	 \$ 217,576,712	 \$ 80,793,942

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.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTSFOR THE YEAR ENDED JUNE 30, 2012**6. LONG-TERM DEBT (Continued)****Other Long-Term Debt (Continued)**

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.

Future maturities of principal are as follows:

Description	Outstanding July 1, 2011	Increases	Decreases	Outstanding July 30, 2012	Due Within One Year
Certificate of participation	\$ 6,720,505	\$ -	\$ (1,418,266)	\$ 5,302,239	\$ 1,177,216
Unamortized discount	(182,321)	-	(14,858)	(197,179)	14,858
Net COPs	6,538,184	-	(1,433,124)	5,105,060	1,192,074
PERS pension bonds	100,520,000	-	(1,455,000)	99,065,000	1,865,000
Total	<u>\$ 107,058,184</u>	<u>\$ -</u>	<u>\$ (2,888,124)</u>	<u>\$ 104,170,060</u>	<u>\$ 3,057,074</u>

Fiscal Year Ending June 30, 2012	Principal	Interest
2012-13	\$ 3,069,630	\$ 4,808,644
2013-14	3,179,462	4,712,217
2014-15	3,430,968	4,592,607
2015-16	3,725,000	4,452,542
2016-17	4,290,000	4,286,960
2017-2022	30,545,000	17,890,696
2022-2027	50,620,000	8,974,997
2027-2028	5,310,000	252,703
TOTAL	<u>\$ 104,170,060</u>	<u>\$ 49,971,366</u>

Termination Benefit transactions for the year are as follows:

Description	Outstanding July 1, 2011	Increases	Decreases	Outstanding July 30, 2012	Due Within One Year
Early Retirement Plan	<u>\$ 1,382,768</u>	<u>\$ 386,116</u>	<u>\$ (691,384)</u>	<u>\$ 1,077,500</u>	<u>\$ 878,844</u>

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

7. 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, 2012

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

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 \$165,153 for the 2011-12 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, 2012, the amount actually contributed to the plan, and changes in the net pension obligation:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual required contribution	\$ 29,763	\$ 30,879	\$ 59,986
Interest on NPO	(3,017)	(2,324)	(751)
Adjustment to ARC	<u>18,905</u>	<u>19,434</u>	<u>4,709</u>
Annual pension cost (APC)	45,651	47,989	63,944
Expected Contributions	<u>(28,330)</u>	<u>(8,667)</u>	<u>(12,542)</u>
Increase (Decrease) in net pension obligation	17,321	39,322	51,402
Net Pension Obligation (asset) at beginning of year	<u>(75,430)</u>	<u>(58,109)</u>	<u>(18,787)</u>
Net Pension Obligation (asset) at end of year	<u>\$ (58,109)</u>	<u>\$ (18,787)</u>	<u>\$ 32,615</u>
Percentage of APC contributed	62%	18%	20%

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

Actuarial Methods and Assumptions

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 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 NPO plan report is not available. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll, on a closed basis, over a period of four years.

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

Funding Status and Funding Progress

As of June 30, 2012, 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, 2012, was actuarially determined to be \$59,986.

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

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

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)

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, 2012, the amount actually contributed to the plan, and changes in the net OPEB obligation:

	2010	2011	2012
Annual required contribution	\$ 2,042,546	\$ 2,119,141	\$ 1,944,027
Interest on net OPEB	37,457	78,501	117,789
Adjustment to ARC	(32,323)	(67,719)	(101,613)
Annual pension cost (APC)	2,047,690	2,129,923	1,960,203
Expected Contributions	1,021,614	1,147,676	1,020,011
Increase (Decrease) in net OPEB obligation	1,026,076	982,247	940,192
Net OPEB Obligation (Asset) at beginning of year	936,437	1,962,513	2,944,760
Net OPEB Obligation (Asset) at end of year	<u>\$ 1,962,513</u>	<u>\$ 2,944,760</u>	<u>\$ 3,884,952</u>
Percentage of APC Contributed	50%	54%	52%

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

Actuarial Methods and Assumptions

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 payroll, on a closed basis, over a period of thirty years.

Funding Status and Funding Progress

As of June 30, 2012, 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, 2012, was actuarially determined to be \$1,944,027.

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

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

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.

Program membership at year end was 73 licensed, 10 Supervisory/Technical and 39 classified.

In accordance with GASB Statement 47, *Termination Benefits*, a liability has been determined for the plan. As of June 30, 2012, the District's potential liability for its termination benefits plan is \$1,077,500.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

8. 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 plan). OPSRP is administered by PERS.

The District's contributions to PERS for the year ended June 30, 2012, was \$17,675,289, \$10,198,669 for the year ended June 30, 2011, and \$10,948,782 for the year ended June 30, 2010, equal to the required contributions for each year.

9. 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).

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

9. RISK MANAGEMENT (Continued)

Settlements have not exceeded insurance coverage for the each of the three years ending June 30, 2012, 2011, and 2010.

10. 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.

11. PREPAID PENSION ASSET

PERS UAL was prepaid with a lump sum payment of \$100,780,385 in a prior year. As of June 30, 2012, \$80,624,304 was reported as Prepaid PERS UAL, which is net of amortization.

12. PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$8,806,566 is due to the use of net value for the initial acquisition of fixed assets in 2008-09. To correct this, accumulated depreciation was added back to cost. The 2009-10 depreciation was mistakenly added back as well. To reverse this, the 2009-10 depreciation was removed from the total cost.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

REQUIRED SUPPLEMENTAL 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, 2012

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	59,986	20

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 prior to 6/30/2008.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFITSJUNE 30, 2012**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

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Local sources:				
Property taxes	\$ 52,834,714	\$ 52,834,714	\$ 53,584,818	\$ 750,104
Charges for services	510,000	510,000	526,807	16,807
Earnings on investments	275,000	275,000	185,615	(89,385)
Other	605,000	605,000	333,635	(271,365)
Intermediate sources	1,000,000	1,000,000	295,626	(704,374)
State sources	96,712,665	96,712,665	100,256,023	3,543,358
Federal sources	411,105	411,105	1,000,000	588,895
Total Revenues	152,348,484	152,348,484	156,182,524	3,834,040
EXPENDITURES:				
Instruction	95,304,350	95,304,350 (1)	95,804,549	(500,199)
Support services	61,361,390	61,361,390 (1)	62,266,655	(905,265)
Enterprise Funds	357,794	357,794 (1)	365,993	(8,199)
Debt Service	532,950	532,950 (1)	533,200	(250)
Contingency	2,000,000	2,000,000 (1)	-	2,000,000
Total Expenditures	159,556,484	159,556,484	158,970,397	586,087
Excess (deficiency) of revenues over expenditures	(7,208,000)	(7,208,000)	(2,787,873)	4,420,127
OTHER FINANCING SOURCES (USES):				
Transfers in	2,000,000	2,000,000	1,500,000	500,000
Sale or compensation for loss of fixed asset	-	-	1,718	1,718
Total other financing sources, (uses)	2,000,000	2,000,000	1,501,718	501,718
NET CHANGE IN FUND BALANCE	(5,208,000)	(5,208,000)	(1,286,155)	3,921,845
FUND BALANCES, July 1, 2011	10,208,000	10,208,000	10,923,275	715,275
FUND BALANCES, June 30, 2012	\$ 5,000,000	\$ 5,000,000	\$ 9,637,120	\$ 4,637,120

(1) Appropriation Level

Reconciliation to Governmental Fund Balance as required by GASB #54:

Ending Fund Balance:

PERS Reserve Fund (2)

3,000,000

\$ 12,637,120

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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Local sources:				
Charges for services	\$ 8,955,720	\$ 9,193,754	\$ 8,730,407	\$ (463,347)
Earnings on investments	4,000	4,000	-	(4,000)
Intermediate sources	103,217	128,217	563,818	435,601
State sources	1,243,399	1,337,227	1,662,637 (2)	325,410
Federal sources	15,452,318	18,662,388	17,400,804	(1,261,584)
Total Revenues	25,758,654	29,325,586	28,357,666	(967,920)
EXPENDITURES:				
Instruction	12,135,425	13,367,256 (1)	11,814,470	1,552,786
Support services	5,881,436	8,171,756 (1)	6,774,409	1,397,347
Enterprise and community services	7,988,358	8,067,059 (1)	7,676,509	390,550
Facilities acquisition and construction	-	500,000 (1)	141,537	358,463
Total Expenditures	26,005,219	30,106,071	26,406,925	3,699,146
NET CHANGE IN FUND BALANCE	(246,565)	(780,485)	1,950,741	2,731,226
FUND BALANCES, July 1, 2011	1,567,561	1,578,158	5,114,184	3,536,026
FUND BALANCES, June 30, 2012	\$ 1,320,996	\$ 797,673	\$ 7,064,925	\$ 6,267,252

(1) Appropriation Level

(2) Includes \$84,217 State Revenue Lunch Program Match.

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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Taxes - current year's levy	\$ 26,966,488	\$ 26,966,488	\$ 27,027,202	\$ 60,714
Taxes- prior years' levies	400,000	400,000	336,010	(63,990)
Taxes- penalties and interest	12,000	12,000	10,869	(1,131)
Interest on investments	50,000	50,000	61,599	11,599
Miscellaneous	5,683,273	5,683,273	6,179,517	496,244
Total revenues	33,111,761	33,111,761	33,615,197	503,436
EXPENDITURES:				
Other sources:				
Debt service				
Principal	17,990,000	17,990,000	17,990,000	-
Other	-	-	800	(800)
Interest	15,573,261	15,573,261	15,573,261	-
Total expenditures	33,563,261	33,563,261 (1)	33,564,061	(800)
NET CHANGE IN FUND BALANCE	(451,500)	(451,500)	51,136	502,636
FUND BALANCE, July 1, 2011	3,300,000	3,300,000	3,306,895	6,895
FUND BALANCE, June 30, 2012	\$ 2,848,500	\$ 2,848,500	\$ 3,358,031	\$ 509,531

(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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Local sources:				
Interest on investments	\$ 150,000	\$ 150,000	\$ 14,698	\$ (135,302)
Intermediate sources:				
Restricted revenue	-	-	28,856	28,856
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>43,554</u>	<u>(106,446)</u>
EXPENDITURES:				
Facilities acquisition and construction:				
Service area direction:				
Salaries and wages	-	-	214,164	(214,164)
Employee benefits	-	-	94,696	(94,696)
Purchased services	-	-	150,349	(150,349)
Supplies and materials	-	-	122,971	(122,971)
Capital outlay	-	-	345,717	(345,717)
Other	-	-	4,206	(4,206)
Building acquisition and construction:				
Salaries and wages	310,000	310,000	-	310,000
Purchased services	3,240,000	3,240,000	1,107,758	2,132,242
Supplies and materials	-	-	19,088	(19,088)
Capital outlay	6,000,000	6,000,000	4,443,599	1,556,401
Other	100,000	100,000	5,246	94,754
Total facilities and building acquisition and construction	<u>9,650,000</u>	<u>9,650,000</u>	<u>(1) 6,507,794</u>	<u>3,142,206</u>
Contingency	<u>6,500,000</u>	<u>6,500,000</u>	<u>(1) -</u>	<u>6,500,000</u>
Total expenditures	<u>16,150,000</u>	<u>16,150,000</u>	<u>6,507,794</u>	<u>9,642,206</u>
Excess (deficiency) of revenues over expenditures	<u>(16,000,000)</u>	<u>(16,000,000)</u>	<u>(6,464,240)</u>	<u>9,535,760</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(1) -</u>	<u>500,000</u>
NET CHANGE IN FUND BALANCE	<u>(16,500,000)</u>	<u>(16,500,000)</u>	<u>(6,464,240)</u>	<u>10,035,760</u>
FUND BALANCE, July 1, 2011	<u>16,500,000</u>	<u>16,500,000</u>	<u>19,927,821</u>	<u>3,427,821</u>
FUND BALANCE, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,463,581</u>	<u>\$ 13,463,581</u>

(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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Local sources:				
Charges to other funds	<u>\$ 780,000</u>	<u>\$ 780,000</u>	<u>\$ -</u>	<u>\$ (780,000)</u>
EXPENDITURES:				
Support services:				
Early retirement program:				
Salaries and wages	800,000	800,000	128,338	671,662
Employee benefits	<u>80,000</u>	<u>80,000</u>	<u>36,815</u>	<u>43,185</u>
Total expenditures	<u>880,000</u>	<u>880,000</u>	(1) <u>165,153</u>	<u>714,847</u>
NET CHANGE IN FUND BALANCE	(100,000)	(100,000)	(165,153)	(65,153)
FUND BALANCE, July 1, 2011	<u>150,000</u>	<u>150,000</u>	<u>165,153</u>	<u>15,153</u>
FUND BALANCE, June 30, 2012	<u><u>\$ 50,000</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (50,000)</u></u>

(1) Appropriation Level

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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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,500,000)</u>	<u>(1,500,000) (1)</u>	<u>(1,500,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>
FUND BALANCE, July 1, 2011	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>	<u>-</u>
FUND BALANCE, June 30, 2012	<u><u>\$ 3,000,000</u></u>	<u><u>\$ 3,000,000</u></u>	<u><u>\$ 3,000,000</u></u>	<u><u>\$ -</u></u>

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF BONDED DEBT TRANSACTIONS**FOR THE YEAR ENDED JUNE 30, 2012**

<u>Issue Date</u>	<u>Outstanding</u>		<u>Outstanding</u>	<u>Interest</u>	
	<u>June 30,</u>	<u>Matured and</u>	<u>June 30,</u>	<u>Interest</u>	<u>Matured and</u>
	<u>2011</u>	<u>Redeemed</u>	<u>2012</u>	<u>Coupon</u>	<u>Redeemed</u>
				<u>Rates</u>	
Hillsboro School District 1J:					
March 1, 1998	\$ 10,855,000	\$ 2,515,000	\$ 8,340,000	4.0 to 5.0%	\$ 479,875
May 26, 2005	68,775,000	7,890,000	60,885,000	3.0 to 5.1%	3,564,762
December 19, 2006	154,481,712	6,130,000	148,351,712	4.0 to 5.0%	6,800,350
	<u>\$ 234,111,712</u>	<u>\$ 16,535,000</u>	<u>\$ 217,576,712</u>		<u>\$ 10,844,987</u>
PERS pension bonds:					
June 21, 2005	<u>\$ 100,520,000</u>	<u>\$ 1,455,000</u>	<u>\$ 99,065,000</u>	<u>3.7 to 4.8%</u>	<u>\$ 4,725,273</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS**AT JUNE 30, 2012****PRINCIPAL**

Fiscal Year	Total	March 1, 1998	May 26, 2005	December 19, 2006
2012-2013	\$ 17,815,000	\$ 2,640,000	\$ 8,480,000	\$ 6,695,000
2013-2014	19,210,000	2,780,000	9,160,000	7,270,000
2014-2015	20,235,000	2,920,000	9,565,000	7,750,000
2015-2016	18,775,000	-	10,365,000	8,410,000
2016-2017	20,365,000	-	11,210,000	9,155,000
2017-2022	71,215,000	-	12,105,000	59,110,000
2022-2026	49,961,712	-	-	49,961,712
	\$ 217,576,712	\$ 8,340,000	\$ 60,885,000	\$ 148,351,712

INTEREST

Fiscal Year	Total	March 1, 1998	May 26, 2005	December 19, 2006
2012-2013	\$ 10,078,851	\$ 351,000	\$ 3,170,263	\$ 6,557,588
2013-2014	9,252,800	215,500	2,746,263	6,291,037
2014-2015	8,342,851	73,000	2,269,238	6,000,613
2015-2016	7,452,270	-	1,768,220	5,684,050
2016-2017	6,513,288	-	1,224,038	5,289,250
2017-2022	19,357,513	-	635,513	18,722,000
2022-2026	19,796,369	-	-	19,796,369
	\$ 80,793,942	\$ 639,500	\$ 11,813,535	\$ 68,340,907

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

FOR THE YEAR ENDED JUNE 30, 2012

	Tax Year	Uncollected July 1, 2011	Levy as Extended by Assessor
<u>GENERAL FUND</u>			
Current	2011-12	\$ -	\$ 55,425,452
Prior	2010-11	1,261,202	
	2009-10	520,196	-
	2008-09	259,328	-
	2007-08	66,655	-
	2006-07 & Prior	51,406	-
Total prior		2,158,787	-
Total general fund		\$ 2,158,787	\$ 55,425,452
<u>DEBT SERVICE FUND</u>			
Current	2011-12	\$ -	28,312,713
Prior	2010-11	672,914	-
	2009-10	271,640	-
	2008-09	117,129	-
	2007-08	43,107	-
	2006-07 & Prior	18,558	-
Total prior		1,123,347	-
Total debt service fund		\$ 1,123,347	\$ 28,312,713
TOTAL ALL FUNDS		\$ 3,282,134	\$ 83,738,165

Discounts Allowed	Interest	Adjustments	Collections	Uncollected June 30, 2012
\$ (1,420,317)	\$ 18,816	\$ 83,728	\$ (52,729,378)	\$ 1,378,301
8,908	59,040	(58,830)	(504,498)	765,822
5,467	48,424	(30,414)	(113,088)	430,586
20	53,865	(8,502)	(229,871)	74,840
6	16,762	(3,068)	(59,569)	20,786
8	5,311	(7,277)	(10,144)	39,304
14,409	183,402	(108,090)	(917,171)	1,331,338
\$ (1,405,908)	\$ 202,218	\$ (24,362)	\$ (53,646,549)	\$ 2,709,639
\$ (725,536)	\$ 9,612	\$ 42,772	\$ (26,935,492)	\$ 704,069
4,753	31,500	(31,395)	(269,172)	408,600
2,765	24,488	(23,951)	(57,190)	217,752
9	23,352	(8,387.05)	(99,657)	32,446
4	10,537	(3,137)	(37,444)	13,066
3	1,736	(4,130)	(3,317)	12,850
7,533	91,613	(70,999)	(466,780)	684,714
\$ (718,002)	\$ 101,225	\$ (28,227)	\$ (27,402,272)	\$ 1,388,783
\$ (2,123,911)	\$ 303,443	\$ (52,589)	\$ (81,048,821)	\$ 4,098,422

RECONCILIATION TO REVENUE:

Cash collections by county treasurer above	\$ 81,048,821
Multnomah County cash collections	3,804
Yamhill County cash collections	12,534
Accrued prior year	(505,362)
Accrued current year	383,554
Other taxes	4,679
Property tax revenue	<u>\$ 80,948,030</u>

Reported in:

General Fund	\$ 53,584,818
Debt Service Fund	27,363,212
	<u>\$ 80,948,030</u>

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STATISTICAL SECTION TABLE OF CONTENTS

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

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Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	75
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	79
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	81

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 ASSETS BY CATEGORY**Last Ten Fiscal Years****2002-03 Through 2011-12**

(accrual basis of accounting)

	2011-12	2010-11	2009-10	2008-09
Governmental activities:				
Invested in capital assets, net of related debt	\$ 31,538,602	\$ 43,279,660	\$ 44,713,254	\$ 36,339,608
Restricted for special programs	6,837,003	2,285,638	-	-
Restricted for debt service	3,358,031	3,306,895	3,654,721	5,880,421
Restricted for capital projects	13,463,581	20,296,746	23,710,495	39,421,641
Unrestricted	(7,822,244)	(19,579,279)	(19,016,357)	(31,880,776)
Total primary government net assets	\$ 47,374,973	\$ 49,589,660	\$ 53,062,112	\$ 49,760,894

Source: Hillsboro School District 1J financial records.

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
\$ 48,427,208	\$ (97,336,636)	\$ 52,183,443	\$ 48,174,979	\$ 57,423,759	\$ 62,159,150
-	-	-	-	-	-
10,827,545	6,573,042	6,745,522	7,003,798	6,477,663	7,040,368
101,584,454	177,928,489	8,357,714	-	-	-
(103,343,000)	24,783,019	23,006,941	32,384,733	22,273,298	7,109,290
<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>	<u>\$ 76,308,808</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CHANGES IN NET ASSETS**Last Ten Fiscal Years****2002-03 Through 2011-12****(accrual basis of accounting)**

	2011-12	2010-11	2009-10	2008-09
Governmental Activities:				
Expenses				
Instruction	\$ 111,973,461	\$ 115,345,118	\$ 113,083,611	\$ 122,478,716
Support services	70,449,859	75,113,377	72,721,956	86,269,378
Enterprise & community services	8,277,973	8,109,778	8,779,813	9,457,828
Facilities acquisition & construction	-	-	-	-
Interest on long-term debt	15,656,739	16,560,348	17,242,277	17,905,207
Total expenditures	206,358,032	215,128,621	211,827,657	236,111,129
PROGRAM REVENUES:				
Charges for services:				
Instruction	5,330,102	4,409,514	4,256,047	4,021,721
Support services	210,960	227,538	273,337	168,919
Enterprise & community services	1,720,616	1,739,507	1,959,373	2,041,711
Operating grants & contributions:				
Instruction	6,435,939	17,996,564	12,519,540	12,342,037
Support services	8,666,716	6,136,063	1,131,494	2,379,115
Enterprise & community services	5,788,841	6,490,380	6,469,855	5,267,264
Capital grants & contributions:				
Support services	-	-	-	-
Enterprise & community services	563,818	96,590	80,702	71,062
Total program revenues	28,716,992	37,096,156	26,690,348	26,291,829
Net (Expenditures)	(177,641,040)	(178,032,465)	(185,137,309)	(209,819,300)
General Revenues				
Taxes:				
Property taxes, levied for general purposes	54,224,135	51,832,676	50,085,826	48,193,154
Property taxes, levied for debt service	27,696,616	27,630,949	26,101,682	21,845,630
State School Fund - General Support	100,256,023	91,150,843	101,051,718	101,756,724
Unrestricted federal sources	1,000,000	-	-	-
Earnings on investments	261,912	387,598	-	-
Gain on sale of capital assets	-	950,007	785,940	3,312,204
Miscellaneous	794,235	2,086,912	11,437,792	12,067,166
Total general revenues	184,232,921	174,038,985	189,462,958	187,174,878
CHANGE IN NET ASSETS	\$ 6,591,880	\$ (3,993,480)	\$ 4,325,649	\$ (22,644,422)

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
\$ 110,225,767	\$ 93,429,518	\$ 90,626,555	\$ 86,376,150	\$ 77,641,128	\$ 75,511,577
77,354,276	63,574,639	57,239,269	55,864,621	48,175,450	48,605,835
9,169,942	7,378,732	9,903,601	6,284,320	5,300,463	4,380,766
65,870,014	832,064	-	-	-	36,082
22,257,859	11,593,839	11,798,269	3,720,541	7,701,343	8,067,120
284,877,858	176,808,792	169,567,694	152,245,632	138,818,384	136,601,380
6,390,034	1,070,606	2,126,428	4,143,996	3,093,549	2,835,269
178,773	232,335	1,858,211	430,408	678,092	767,939
2,338,045	2,355,750	2,177,939	3,700,700	2,052,807	1,830,026
8,577,163	8,795,634	4,241,207	7,378,878	8,061,968	4,236,906
3,516,952	3,036,287	3,725,767	4,715,506	9,647,884	7,359,007
5,549,384	4,334,791	4,298,360	3,447,404	3,065,297	2,681,706
109,820	527,800	404,634	348,305	365,000	341,855
95,570	-	-	-	-	-
26,755,741	20,353,203	18,832,546	24,165,197	26,964,597	20,052,708
(258,122,117)	(156,455,589)	(150,735,148)	(128,080,435)	(111,853,787)	(116,548,672)
46,040,548	43,741,370	42,262,685	40,522,887	39,118,206	38,971,982
29,560,363	14,668,594	14,812,597	15,542,605	14,654,964	15,609,618
104,687,241	86,828,447	83,972,807	63,991,989	72,273,902	56,101,333
-	-	-	-	-	-
-	-	-	-	-	-
9,340,104	8,194,851	2,653,853	1,446,575	760,116	1,542,526
7,597,249	24,676,621	9,763,319	7,965,169	3,569,787	3,266,472
197,225,505	178,109,883	153,465,261	129,469,225	130,376,975	119,702,041
\$ (60,896,612)	\$ 21,654,294	\$ 2,730,113	\$ 1,388,790	\$ 18,523,188	\$ 3,153,369

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

FUND BALANCES OF GOVERNMENTAL FUNDS**Last Ten Fiscal Years****2003 Through 2012**

(modified accrual basis of accounting)

	2011-12	2010-11	2009-10	2008-09
FUND BALANCES:				
Nonspendable, reported in:				
General fund	\$ 688,343	\$ 268,409	\$ -	\$ -
Special revenue funds	227,922	604,390	-	-
Restricted, reported in:				
General fund	-	-	364,700	383,482
Special revenue funds	6,837,003	2,285,638	499,389	235,323
Debt service fund	3,358,031	3,306,895	3,654,721	5,880,421
Capital projects funds	13,463,581	20,296,746	23,710,495	39,421,641
Assigned, reported in:				
Special revenue funds	-	2,582,631	-	-
PERS Reserve	3,000,000	4,500,000	-	-
Unassigned, reported in:				
General fund	8,948,777	10,654,867	17,551,703	19,658,096
Special revenue funds	-	(358,476)	2,519,865	3,597,953
Debt service fund	-	-	-	-
Capital projects funds	-	(368,925)	-	-
TOTAL FUND BALANCES	\$ 36,523,657	\$ 43,772,176	\$ 48,300,872	\$ 69,176,916

(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.

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
666,715	219,748	245,271	238,850	201,031	212,532
218,447	170,099	182,812	882,780	835,817	819,653
10,827,545	6,573,042	7,874,004	9,073,416	6,477,663	7,040,368
101,584,454	177,928,489	8,357,714	13,204,310	17,772,597	26,585,671
-	-	-	-	-	-
-	-	-	-	-	-
22,973,345	19,668,582	20,187,310	14,730,521	17,499,555	2,524,759
3,435,749	3,672,104	2,098,654	2,454,476	2,087,512	1,859,373
-	-	-	-	-	-
-	-	-	-	-	-
\$ 139,706,255	\$ 208,232,064	\$ 38,945,765	\$ 40,584,353	\$44,874,175	\$39,042,356

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CHANGES IN**FUND BALANCES OF GOVERNMENTAL FUNDS****Last Ten Fiscal Years****2003 Through 2012**

(modified accrual basis of accounting)

	2011-12	2010-11	2009-10	2008-09
Revenues				
Property taxes	\$ 80,948,030	\$ 79,663,898	\$ 75,902,580	\$ 69,425,118
Charges for services	9,257,214	8,161,987	8,197,218	8,265,066
Earnings on investments	261,912	387,598	785,940	3,229,021
Other	6,524,021	7,495,766	6,977,351	6,944,129
Intermediate sources	888,300	1,378,287	2,821,079	1,742,355
State School support	101,918,660	92,378,467	101,051,718	103,156,724
Federal	18,400,804	27,566,990	20,120,889	20,087,018
Other sources	-	-	-	-
Total revenues	218,198,941	217,032,993	215,856,775	212,849,431
EXPENDITURES:				
Current operating				
Instruction	107,619,019	106,975,447	106,348,362	103,425,714
Support Services	67,710,192	69,662,999	68,171,937	72,746,276
Enterprise & community services	7,956,058	7,521,316	8,256,888	8,046,600
Facilities acquisition & construction	1,860,015	2,378,353	-	-
Capital outlay	6,206,632	6,905,741	19,620,414	66,650,915
Debt service				
Principal	18,365,000	17,940,000	15,985,000	14,530,000
Other	1,050	400	30,931	30,931
Payment to PERS	-	-	-	-
Interest	15,731,211	16,554,371	17,306,459	17,951,944
Total expenditures	225,449,177	227,938,627	235,719,991	283,382,380
	(7,250,236)	(10,905,634)	(19,863,216)	(70,532,949)
Other financing sources (uses)				
Bond proceeds	-	-	-	-
Sale or compensation for loss of fixed asset	1,718	1,804,620	11,602	3,610
Capital Leases	-	2,372,318	-	-
Operating transfer in	-	700,000	-	-
Total other financing sources (uses)	1,718	4,876,938	11,602	3,610
NET CHANGE IN FUND BALANCES	\$ (7,248,518)	\$ (6,028,696)	\$ (19,851,614)	\$ (70,529,339)
Debt services as a percentage of noncapital expenditures	15.6%	15.6%	15.4%	15.0%

2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
\$ 74,970,634	\$ 58,274,830	\$ 57,183,332	\$ 56,412,322	\$ 53,824,620	\$ 54,504,023
7,009,678	3,765,885	4,778,380	6,307,762	5,824,448	6,591,189
9,340,104	8,194,851	2,653,850	1,446,575	760,116	1,542,526
6,726,267	1,375,754	1,605,890	3,061,354	1,030,150	2,344,141
3,286,708	3,812,017	4,296,352	3,749,953	3,516,570	2,573,735
104,687,241	86,835,628	83,968,676	71,857,440	81,462,389	63,608,223
17,327,027	15,821,511	13,690,511	10,869,443	10,855,286	8,347,115
-	186,703,215	4,560,607	103,126,403	54,668	166,224
223,347,659	364,783,691	172,737,598	256,831,252	157,328,247	139,677,176
99,258,155	90,028,311	87,151,646	81,088,557	74,367,389	73,244,826
69,657,422	61,260,272	55,044,467	52,451,074	46,467,506	46,761,142
8,257,520	7,110,119	6,294,588	5,900,323	5,075,963	4,249,262
-	-	1,680,430	567,389	4,430,025	3,074,184
83,737,559	15,556,452	3,025,190	4,349,203	5,265,037	30,258,195
9,370,000	10,020,821	9,168,251	10,196,483	8,066,526	7,686,108
30,931	38,196	-	-	-	-
-	-	-	100,780,385	-	-
22,040,454	11,483,228	12,011,614	5,737,725	7,873,920	8,238,518
292,352,041	195,497,399	174,376,186	261,071,139	151,546,366	173,512,235
(69,004,382)	169,286,292	(1,638,588)	(4,239,887)	5,781,881	(33,835,059)
39,068	-	-	-	-	-
94,242	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
133,310	-	-	-	-	-
\$ (68,871,072)	\$ 169,286,292	\$ (1,638,588)	\$ (4,239,887)	\$ 5,781,881	\$ (33,835,059)

15.1%

12.0%

12.4%

45.5%

10.9%

11.1%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

ASSESSED VALUES OF TAXABLE PROPERTY WITHIN SCHOOL DISTRICT BOUNDARIES**Last Ten Fiscal Years****2003 Through 2012**

Market Value				
Fiscal Year Ending June 30	Real Property	Manufactured Property	Personal Property	Public Utility
2003	\$ 11,320,330,142	\$ 61,742,798	\$ 505,778,770	\$ 346,116,777
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

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 (Not Levy)
\$ 12,233,968,487	\$ 8,185,621,736	6.79	\$ 55,580,372	\$ 628,960	\$ 56,209,332
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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DIRECT AND OVERLAPPING PROPERTY TAX RATES**2002-03 Through 2011-12**

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

DIRECT:	2011-12	2010-11	2009-10	2008-09
Hillsboro School District	6.2933	6.4001	6.3322	6.2936
Hillsboro School District - after 10/6/01	1.1730	1.1845	1.1278	0.8080
Prior School District Bonds:				
Hillsboro Elementary	0.0000	0.0000	0.0000	0.0802
Reedville	0.0000	0.0000	0.4102	0.2617
Farmington View	0.0000	0.0000	0.0000	0.0000
North Plains	0.0000	0.0000	0.0000	0.0000
OVERLAPPING GOVERNMENTS:				
Washington County	2.3844	2.3898	2.3940	2.3940
Washington County - after 10/6/01	0.5900	0.5900	0.5900	0.5900
Enhanced Sheriff Patrol	1.2477	1.2660	1.2823	1.3099
Road Maintenance	0.2456	0.2456	0.2456	0.2456
Port of Portland	0.0701	0.0701	0.0701	0.0701
City of Hillsboro	5.3865	5.3865	5.3865	5.3865
City of North Plains	2.1712	2.1712	2.1712	2.1712
City of Cornelius	3.9836	3.9836	3.9836	4.0050
Cornelius RFPD	1.3097	1.3354	1.3300	1.4388
Washington County RFFD #2	1.1219	1.1219	1.1219	1.1219
Washington County RFFD #2 - after 10/6/01	0.5700	0.5700	0.5700	0.5700
Tualatin Valley Fire and Rescue	1.5252	1.5252	1.5252	1.5446
Tualatin Valley Fire and Rescue - after 10/6/01	0.4050	0.3576	0.3695	0.2988
Gaston RFPD	1.7621	1.7621	1.5121	1.5121
Banks RFPD	2.0505	2.1007	2.1324	2.1671
Forest Grove RFPD	1.2766	1.4262	1.4339	1.4375
Metro Service District	0.2277	0.2499	0.2504	0.3018
Metro Service District after 10/6/01	0.0877	0.1589	0.1864	0.0966
Tri-Met	0.0583	0.0878	0.0863	0.0803
Tualatin Hills Park & Recreation	1.7388	1.7428	1.7343	1.4291
Wolf Creek Water	0.0000	0.0000	0.0000	0.0000
Urban Renewal - H	0.0000	0.0000	0.0000	0.0000
Metro Zoo	0.0000	0.0000	0.0000	0.0000
Northwest Regional ESD	0.1538	0.1538	0.1538	0.1538
Portland Community College	0.4460	0.4628	0.4579	0.5031
Portland Community College - after 10/6/01	0.1521	0.1731	0.1746	0.0000
Rainbow Lanes Road	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	2002-03
6.1994	6.5240	6.5900	6.7059	6.6651	6.7942
1.8587	0.0000	0.0000	0.0000	0.0000	0.0000
0.0829	0.0793	0.0793	0.1292	0.1278	0.1257
0.2493	0.2268	0.2556	0.3327	0.2985	0.2828
0.0000	0.0000	0.3408	0.3636	0.3627	0.3812
0.0000	0.2706	0.0253	0.3187	0.2944	0.2890
2.4431	2.4494	2.8390	2.8734	2.9149	2.9149
0.5900	0.0000	0.0000	0.0000	0.0000	0.0000
1.0920	1.1120	1.1300	1.1424	1.0291	1.0291
0.2456	0.2456	0.2456	0.2456	0.2456	0.2456
0.0701	0.0701	0.0701	0.0701	0.0701	0.0701
4.7665	4.7665	4.7665	4.7665	4.7665	4.7665
2.1712	2.1712	2.6385	3.1563	3.2361	3.2361
4.0723	4.1698	3.9836	4.3098	4.5828	4.5828
1.4702	1.4820	1.5307	1.5631	1.9667	1.9667
1.1219	1.1219	1.1219	1.1219	1.1219	1.1219
0.5700	0.0000	0.0000	0.0000	0.0000	0.0000
1.5560	1.8194	1.7752	1.8259	1.8206	1.8206
0.3132	0.0000	0.0000	0.0000	0.0000	0.0000
1.5121	1.5121	1.5121	1.0921	1.3060	1.3060
2.0321	2.0220	1.7031	1.4110	1.6621	1.6621
1.4409	1.4390	1.2766	1.4361	1.4568	1.4568
0.2683	0.2782	0.0000	0.2838	0.2835	0.2835
0.1609	0.0000	0.0000	0.0000	0.0000	0.0000
0.0856	0.0973	0.1191	0.1104	0.1239	0.1239
1.4341	1.4425	1.4505	1.4551	1.4617	1.4617
0.0000	0.0000	0.0000	0.0000	0.1486	0.1486
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0966	0.0966	0.2838	0.0000	0.0000
0.1538	0.1538	0.1538	0.1538	0.1538	0.1538
0.5051	4.8890	0.2828	0.5099	0.4944	0.4944
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.4888	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 (2012) and Ten Years Ago (2002)

<u>Taxpayer</u>	2012			2002		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Ten largest taxpayers						
Intel Corporation	\$ 1,316,340,035	1	13.73%	\$ 1,133,959,660	1	15.16%
Nike, Inc.	437,733,767	2	4.56%			
Portland General Electric	405,597,504	3	4.23%			
Frontier Communications	350,700,000	4	3.66%			
Pacific Realty Associates	299,183,240	5	3.12%			
Northwest Natural Gas Co.	279,691,970	6	2.92%			
Genentech Inc.	239,110,040	7	2.49%			
Comcast Corporation	223,356,000	8	2.33%			
Maxim Integrated Products, Inc.	133,369,640	9	1.39%			
Tektronix, Inc.	132,546,208	10	1.38%			
Komatsu Silicon America, Inc.				96,923,900	2	1.30%
Integrated Device Technology				92,787,090	3	1.24%
Triquent Semiconductor				81,963,840	4	1.10%
Selco Service Corp.				45,208,250	5	0.60%
Quatama Crossing, LLC				34,262,600	6	0.46%
MCI Worldcom Network Service Inc.				32,987,561	7	0.44%
Pacific Realty Associates				32,206,960	8	0.43%
Solelectron Oregon Corp.				28,745,680	9	0.38%
Credence Systems Corp.				28,349,520	10	0.38%
Subtotal of ten largest taxpayers	3,817,628,404		39.81%	1,607,395,061		21.49%
All other taxpayers	7,553,377,511		78.76%	5,872,640,017		78.51%
Total all taxpayer:	<u>\$ 11,371,005,915</u>		<u>118.57%</u>	<u>\$ 7,480,035,078</u>		<u>100.00%</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****2003 Through 2012**

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
2003	\$ 56,209,332	\$ 53,060,508	94.40%	\$ 1,429,931	\$ 54,490,439	96.94%
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%	1,241,203	58,301,302	97.29%
2008	77,461,189	73,547,415	94.95%	1,882,918	75,430,333	97.38%
2009	71,924,928	67,817,843	94.29%	2,198,086	70,015,929	97.35%
2010	78,263,542	73,894,785	94.42%	2,181,767	76,076,552	97.21%
2011	81,827,938	77,466,427	94.67%	2,209,777	79,676,204	97.37%
2012	83,738,165	79,664,870	95.14%	1,383,951	81,048,821	96.79%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

RATIO OF GENERAL BONDED DEBT OUTSTANDING**Last Ten Fiscal Years****2003 Through 2012**General Bonded Debt Outstanding

Fiscal Year	General Obligation Bonds	Total	Percentage of Estimated Actual Value of Property	Per Capita
2003	\$ 157,405,000	\$ 157,405,000	1.29%	1,471
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

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****2003 Through 2012**

Fiscal Year	General Obligation Bonds	Certificates of Participation	PERS Pension Bonds	Total District	Per ADMw	Per Capita
2003	\$ 157,405,000	\$ 6,060,000	\$ -	\$ 163,465,000	\$ 8,685	\$ 1,528
2004	149,580,000	5,825,000	-	155,405,000	8,295	1,426
2005	139,604,501	5,556,397	102,850,000	248,010,898	13,035	2,158
2006	130,569,579	5,302,971	102,850,000	238,722,550	12,371	1,822
2007	287,242,352	5,034,545	102,850,000	395,126,897	20,273	3,366
2008	278,762,595	4,827,537	102,740,000	386,330,132	19,766	2,866
2009	265,497,826	4,487,395	102,330,000	372,315,221	18,580	2,877
2010	250,616,712	4,799,266	101,600,000	357,015,978	17,759	2,690
2011	234,111,712	6,538,184	100,520,000	341,169,896	16,851	2,716
2012	217,576,712	5,105,060	99,065,000	321,746,772	15,871	2,561

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**As of June 30, 2012**

Overlapping Issuer	Net Property-tax Backed Debt	Percent Overlapping (1)	Overlapping Debt
Chemeketa Community College	\$ 88,030,000	0.0036%	\$ 3,169
Multnomah County	89,000,000	0.0008%	712
Metro	273,485,000	6.2542%	17,104,299
Tri-Met	240,000	6.6488%	15,957
Portland Community College	188,165,000	9.3743%	17,639,152
Washington County SD 13 (Banks)	8,255,000	0.0576%	4,755
Washington County	14,050,000	22.2680%	3,128,654
Tualatin Hills Park & Rec Dist	105,790,000	1.7838%	1,887,082
Forest Grove RFPD	80,000	0.9288%	743
Gaston RFPD	180,000	2.8500%	5,130
Banks Fire District 13	885,000	2.7055%	23,944
Tualatin Valley Fire & Rescue Dist	47,470,000	3.2112%	1,524,357
City of Hillsboro	8,510,000	87.4641%	7,443,195
City of North Plains	270,000	100.0000%	270,000
Chehalem Park & Rec District	1,290,000	0.0187%	241
Subtotal, overlapping debt			<u>49,051,390</u>
Direct District net property-tax backed debt			<u>341,169,895</u>
Total direct and overlapping debt			<u><u>\$ 390,221,285</u></u>

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

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

LEGAL DEBT MARGIN INFORMATION**Last Ten Fiscal Years****2003 Through 2012**

	2011-12	2010-11	2009-10	2008-09	2007-08
Debt Limit	\$1,497,006,122	\$1,497,006,112	\$1,514,893,129	\$1,556,140,350	\$1,578,265,232
Total net debt applicable to the limit	316,641,712	334,631,712	352,216,712	367,827,826	380,501,712
Legal debt margin	<u>\$1,180,364,410</u>	<u>\$1,162,374,400</u>	<u>\$1,162,676,417</u>	<u>\$1,188,312,524</u>	<u>\$1,197,763,520</u>
Total net debt applicable to the limit as a percentage of debt limit	21.15%	22.35%	23.25%	23.64%	24.11%

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

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

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

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

Source: District Financial Statements

2006-07	2005-06	2004-05	2003-04	2002-03
\$1,399,071,619	\$1,247,560,967	\$1,243,730,043	\$1,234,684,230	\$972,600,495
391,061,712	231,880,000	248,025,005	149,580,000	157,405,000
\$1,008,009,907	\$1,015,680,967	\$995,705,038	\$1,085,104,230	\$815,195,495
27.95%	18.59%	19.94%	12.11%	16.18%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DEMOGRAPHIC AND ECONOMIC STATISTICS**Last Ten Fiscal Years****2003 Through 2012**

Year	Population	Personal Income (thousands of dollars) (Estimated)	Personal Income	Unemployment Rate
2003	107,000	N/A	N/A	6.7%
2004	109,000	N/A	N/A	6.8%
2005	114,948	\$ 3,891,300	\$ 33,853	7.5%
2006	131,018	4,168,750	31,818	7.5%
2007	117,402	4,252,125	36,219	4.8%
2008	134,801	4,667,619	34,626	4.6%
2009	129,407	4,692,168	36,259	9.9%
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%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PRINCIPAL EMPLOYERS FOR THE PORTLAND, OREGON, METROPOLITAN AREA**Current Year (2012) and Nine Years Ago (2003)**

<u>Employer</u>	2012			2003		
	<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.	15,636	1	1.93%	16,000	1	2.07%
Providence Health System	14,089	2	1.74%	12,800	3	1.65%
Oregon Health & Science University	12,000	3	1.48%	10,100	4	1.30%
Fred Meyer Stores	9,858	4	1.22%	13,325	2	1.72%
Legacy Health Systems	9,204	5	1.14%	7,158	5	0.92%
Kaiser Permanente	9,039	6	1.12%	7,093	6	0.92%
Nike	7,000	7	0.86%	5,000	8	0.65%
Wells Fargo	4,748	8	0.59%			0.00%
US Bank	3,899	9	0.48%	4,242	9	0.55%
Xerox	3,300	10	0.41%			0.00%
Freightliner						0.00%
Safeway				6,000	7	0.77%
Tektronix Inc.						0.00%
Meier & Frank				3,500	10	0.45%
US West						0.00%
United Parcel Service						0.00%
Sub-total of ten largest employers	88,773		10.96%	85,218		11.00%
All Other Employers	720,940		89.04%	689,236		89.00%
Total Portland PMSA Employees	809,713		100.00%	774,454		100.00%

Source:

2011 Portland Business Journal Book of Lists

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CERTIFIED, CLASSIFIED, AND ADMINISTRATIVE EMPLOYEES**Last 10 Fiscal Years****2002-03 Through 2011-12**

Fiscal Year	Certified	Classified	Administrative	TOTAL
2002-03	997	925	75	1,997
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

(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
2002-03 Through 2011-12**

Fiscal Year	Average Daily Membership	Percent Free and Reduced	Net Operating Expenditures per ADM	Student to Teacher Ratio
2002-03	18,070	35%	\$ 6,606	21
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

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	2012	2011	2010	2009
Brookwood Elementary (1953)	43,041	411	443	445	457
Imlay Elementary (2002)	69,435	560	590	609	617
Butternut Creek Elementary (1977)	34,840	414	414	412	451
Patterson Elementary (2000)	69,435	513	548	552	515
Orenco Elementary (2000)	69,435	531	515	438	424
Indian Hills Elementary (1979)	40,219	446	449	451	443
Reedville Elementary (1922)	16,247	248	247	276	291
David Hill Elementary (1943)	27,828	Closed	Closed	Closed	Closed
Eastwood Elementary (1978)	49,163	486	486	473	472
Farmington View Elementary (1950)	22,867	225	220	224	215
Free Orchards (2008)	73,500	488	499	487	472
Jackson Elementary (1990)	50,767	508	527	535	537
L.C. Tobias Elementary (1992)	50,000	491	523	524	543
Groner Elementary (1949)	32,402	156	175	171	191
Lenox Elementary (1949)	51,074	444	427	390	402
McKinney Elementary (1970)	49,163	516	497	474	503
Minter Bridge Elementary (1980)	49,163	500	464	427	461
Moobery Elementary (1963)	49,496	475	493	488	513
North Plains Elementary (1954)	46,913	288	313	311	320
Peter Boscow Elementary (1912)	67,752	Closed	Closed	Closed	Closed
Rosedale Elementary (2009)	73,700	364	350	363	-
Quatama Elementary (2008)	73,100	533	556	638	513
Ladd Acres Elementary (1968)	60,825	520	571	548	636
Lincoln Street Elementary (2008)	73,400	579	543	522	545
W.L. Henry Elementary (1968)	52,813	490	451	467	605
West Union Elementary (1948)	42,757	310	314	305	312
Witch Hazel Elementary (2003)	69,435	530	559	544	645
Brown Middle School (1963)	95,414	828	821	859	919
Evergreen Middle School (1981)	120,000	794	827	855	886
Thomas Middle School (1928)	Demolished	n/a	n/a	n/a	543
South Meadows Middle School (2009)	153,000	800	748	750	-
Poynter Middle School (1959)	83,200	690	706	678	775
Miller Ed Junior High (1959)	9,560	14	19	22	17
Century High School (1997)	265,000	1,674	1,584	1,537	1,524
Glencoe High School (1980)	240,000	1,594	1,580	1,554	1,490
Liberty High School (2003)	288,897	1,362	1,289	1,244	1,270
Hilhi High School (1969)	253,652	1,418	1,426	1,470	1,481
Middle Ed High School (1958)	20,552	77	72	60	50
		20,273	20,246	20,103	20,038

Source:

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

Enrollment					
2008	2007	2006	2005	2004	2003
535	566	558	566	525	509
541	659	655	654	610	608
449	439	442	456	488	492
733	654	677	642	649	601
605	594	552	567	550	538
385	407	369	382	407	481
346	366	360	388	373	376
262	337	321	311	309	299
481	505	534	557	607	606
209	226	248	269	297	292
-	-	-	-	-	-
620	656	632	612	622	583
550	563	577	567	640	658
192	206	191	212	224	223
425	440	439	395	416	520
536	533	509	503	513	506
442	362	406	401	495	528
516	543	504	513	472	505
332	310	333	351	354	354
355	388	388	392	387	447
-	-	-	-	-	-
-	-	-	-	-	-
647	603	612	592	587	716
-	-	-	-	-	-
594	616	592	546	649	632
402	349	358	300	326	375
609	489	431	401		
899	875	892	903	851	791
873	778	774	794	809	770
524	544	550	503	499	497
-	-	-	-	-	-
782	713	760	764	703	640
19	16	15	16	15	15
1,454	1,493	1,460	1,587	2,107	2,037
1,427	1,444	1,464	1,516	1,773	1,774
1,264	1,269	1,171	847	n/a	n/a
1,477	1,478	1,444	1,438	1,403	1,375
60	69	79	81	75	73
19,545	19,490	19,297	19,026	18,735	18,821

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

TEACHER DATA**2011-12 SCHOOL YEAR**

Education	Step	#	Salary
BA	2	7.23	\$34,620
BA	3	6.42	\$35,313
BA	4	2.38	\$36,005
BA	5	6.09	\$37,445
BA	6	2.32	\$38,942
BA	7	1.87	\$40,501
BA	8	3.22	\$42,121
BA	9	5.31	\$43,805
BA	10	2.00	\$45,558
BA	11	3.00	\$47,379
BA	12	0.00	\$49,279
BA	13	2.00	\$51,246
BA	13a	18.91	\$53,517
BA+24	2	1.30	\$35,659
BA+24	3	1.00	\$36,373
BA+24	4	0.80	\$37,086
BA+24	5	4.00	\$38,569
BA+24	6	0.08	\$40,111
BA+24	7	3.00	\$41,717
BA+24	8	2.83	\$43,384
BA+24	9	3.87	\$45,121
BA+24	10	4.50	\$46,925
BA+24	11	3.00	\$48,802
BA+24	12	2.00	\$50,754
BA+24	13	3.00	\$52,784
BA+24	13a	19.28	\$55,125
BA+45	2	0.75	\$36,728
BA+45	3	0.00	\$37,463
BA+45	4	0.00	\$38,197
BA+45	5	0.00	\$39,725
BA+45	6	1.00	\$41,314
BA+45	7	2.00	\$42,966
BA+45	8	2.00	\$44,686
BA+45	9	0.00	\$46,472
BA+45	10	1.00	\$48,332
BA+45	11	2.00	\$50,265
BA+45	12	0.00	\$52,275
BA+45	13	1.00	\$54,366
BA+45	14	4.30	\$56,541
BA+45	15	5.00	\$58,802
BA+45	16	0.50	\$61,154
BA+45	16a	12.58	\$63,600
MA	2	29.47	\$37,832
MA	3	29.55	\$38,588
MA	4	17.85	\$39,346
MA	5	36.23	\$40,919
MA	6	40.52	\$42,556

Education	Step	#	Salary
MA	7	30.05	\$44,258
MA	8	29.40	\$46,028
MA	9	50.63	\$47,869
MA	10	23.44	\$49,784
MA	11	19.98	\$51,776
MA	12	32.19	\$53,847
MA	13	26.50	\$56,000
MA	14	25.24	\$58,240
MA	15	24.74	\$60,570
MA	16	17.25	\$62,993
MA	17	8.50	\$65,513
MA	17a	79.70	\$68,132
MA+24	2	0.00	\$38,965
MA+24	3	1.60	\$39,744
MA+24	4	3.37	\$40,525
MA+24	5	5.24	\$42,146
MA+24	6	13.22	\$43,831
MA+24	7	21.20	\$45,584
MA+24	8	25.39	\$47,407
MA+24	9	12.16	\$49,304
MA+24	10	7.00	\$51,276
MA+24	11	10.60	\$53,327
MA+24	12	12.50	\$55,460
MA+24	13	14.66	\$57,679
MA+24	14	10.40	\$59,985
MA+24	15	4.00	\$62,385
MA+24	16	8.70	\$64,880
MA+24	17	3.50	\$67,476
MA+24	17a	49.42	\$70,175
MA+45	2	1.00	\$40,134
MA+45	3	0.00	\$40,937
MA+45	4	0.69	\$41,739
MA+45	5	3.00	\$43,409
MA+45	6	8.93	\$45,145
MA+45	7	8.00	\$46,951
MA+45	8	6.00	\$48,830
MA+45	9	7.11	\$50,783
MA+45	10	6.28	\$52,815
MA+45	11	8.63	\$54,926
MA+45	12	8.33	\$57,124
MA+45	13	8.43	\$59,409
MA+45	14	10.39	\$61,785
MA+45	15	13.10	\$64,256
MA+45	16	7.00	\$66,827
MA+45	17	9.30	\$69,500
MA+45	17a	80.23	\$72,279

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF REVENUES**FOR THE YEAR ENDED JUNE 30, 2012**

	Fund 100	Fund 200
REVENUES:		
Revenue from local sources:		
1110 Ad valorem taxes paid by District	\$ 53,584,818	\$ -
1190 Penalties and interest on taxes	15,118	-
1200 Revenue from local governments- Construction Excise Tax	-	940,523
1400 Transportation fees	86,214	-
1500 Earning on investments	185,615	-
1600 Food service	-	1,720,616
1700 Extracurricular activities	440,593	4,801,577
1910 Rentals	210,960	-
1920 Contributions & donations	-	858,677
1960 Recovery of prior year	58,407	-
1970 Pension bonds	-	-
1980 Fees charged to grants	17,963	-
1990 Miscellaneous	31,187	409,014
Total Revenue from local sources	54,630,875	8,730,407
Revenue from intermediate sources:		
2101 County school funds	295,626	-
2200 Restricted revenue	-	563,818
Total Revenue from Intermediate Sources	295,626	563,818
Revenue from state sources:		
3101 State school fund - general support	87,156,080	-
3102 State school fund - school lunch match	-	84,217
3103 Common school fund	2,675,346	-
3104 State managed county timber	504,273	-
3105 State school fund - transportation grant	5,371,136	-
3222 State school fund transportation equipment	-	709,092
3299 Other restricted grants-in-aid	4,549,188	869,328
Total revenue from state sources	100,256,023	1,662,637
Revenue from federal sources:		
4300 Restricted revenue from federal government	-	97,113
4500 Restricted revenue from federal government through the state	1,000,000	15,828,172
4700 Restricted revenue from federal government through intermediate sources	-	964,010
4900 Revenue for/on behalf of the District	-	511,509
Total revenue from federal sources	1,000,000	17,400,804
Revenue from other sources:		
5200 Transfers	1,500,000	-
5300 Sale or compensation for loss of fixed assets	1,718	-
5400 Resources - beginning fund balance	10,923,275	5,114,184
Total revenue from other sources	12,424,993	5,114,184
TOTAL REVENUES	\$ 168,607,517	\$ 33,471,850

Fund 300	Fund 400	Fund 600	Fund 700	Total
\$ 27,363,212	\$ -	\$ -	\$ -	\$ 80,948,030
10,869	-	-	-	25,987
-	-	-	-	940,523
-	-	-	-	86,214
61,599	14,698	-	-	261,912
-	-	-	-	1,720,616
-	-	-	-	5,242,170
-	-	-	-	210,960
-	-	-	-	858,677
-	-	-	-	58,407
6,179,517	-	-	-	6,179,517
-	-	-	-	17,963
-	-	-	-	440,201
33,615,197	14,698	-	-	96,991,177
-	-	-	-	295,626
-	28,856	-	-	592,674
-	28,856	-	-	888,300
-	-	-	-	87,156,080
-	-	-	-	84,217
-	-	-	-	2,675,346
-	-	-	-	504,273
-	-	-	-	5,371,136
-	-	-	-	709,092
-	-	-	-	5,418,516
-	-	-	-	101,918,660
-	-	-	-	97,113
-	-	-	-	16,828,172
-	-	-	-	964,010
-	-	-	-	511,509
-	-	-	-	18,400,804
-	-	-	-	1,500,000
-	-	-	-	1,718
3,306,895	19,927,821	4,500,000	165,153	43,937,328
3,306,895	19,927,821	4,500,000	165,153	45,439,046
\$ 36,922,092	\$ 19,971,375	\$ 4,500,000	\$ 165,153	\$ 263,637,987

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF GENERAL FUND EXPENDITURES**FOR THE YEAR ENDED JUNE 30, 2012**

	Object 100	Object 200	Object 300
EXPENDITURES:			
Instruction:			
1111 Primary programs	\$ 23,237,170	\$ 11,187,000	\$ 388,340
1112 Intermediate programs	363	692	-
1113 Elementary extracurricular	2,558	925	-
1121 Middle School programs	6,248,398	3,093,497	36,378
1122 Middle School extracurricular	39,241	10,607	119
1123 Middle School Saturday school	4,318	1,127	-
1131 High School programs	12,215,944	5,906,570	104,684
1132 High School extracurricular	1,336,009	442,890	296,382
1133 High School Saturday school	5,649	1,467	-
1140 Pre-Kindergarten programs	120	32	-
1210 Talented and Gifted	141,032	50,067	17,588
1220 Students with disabilities-restricted	5,126,717	3,242,808	356,377
1250 Students with disabilities - less restricted	6,710,739	4,110,712	10,892
1271 Remediation	-	-	-
1272 Title 1	322,924	-	-
1280 Alternative Education	808,529	391,786	1,128,508
1290 Designated Programs	4,689,245	2,588,339	33,255
1430 Secondary summer school	5,039	2,378	-
Total Instruction	60,893,995	31,030,897	2,372,523
Support services:			
2110 Attendance and social work services	615,392	408,546	540,680
2120 Guidance Services	2,992,474	1,455,811	214,102
2130 Health Services	645,390	334,182	15,335
2140 Psychological services	326,512	146,609	196,856
2150 Speech pathology services	1,096,169	505,180	2,952
2160 Other student treatment services	-	-	81,625
2190 Service direction, student special education	55,428	16,490	78,796
2210 Improvement of Instructional services	40,765	20,543	24,363
2220 Educational media services	788,142	519,178	2,714
2230 Assessment and testing	136,300	16,541	25,305
2240 Instructional staff development	179,617	62,628	105,146
2310 Board of Education services	63,539	17,328	11,855
2320 Executive administration services	480,699	193,607	119,433
2410 Office of the principal services	7,412,177	3,786,966	174,588
2490 Other support services school administration	514,583	229,270	113,977
2510 Direction of business support services	426,350	207,489	124,561
2520 Fiscal services	432,455	250,822	58,281
2540 Operation and maintenance of plant	4,381,778	2,476,527	7,025,146
2550 Student transportation services	6,213,894	4,136,258	297,291
2570 Internal services	212,139	118,038	22,294
2620 Planning, research, and development	375	-	-
2630 Information/production services	198,879	75,840	36,503
2640 Staff services	638,782	823,382	114,418
2660 Technology services	1,329,261	596,501	1,297,165
2670 Records management services	-	-	18,455
2690 Other support services	102,225	43,009	-
2700 Early retirement program	-	617,285	-
Total support services	29,283,325	17,058,030	10,701,841
Enterprise Services:			
3300 Other community services	219,554	105,028	36,929
Total community services	219,554	105,028	36,929
Debt service:			
5110 Long-term debt service	-	-	250
Total debt service	-	-	250
TOTAL EXPENDITURES	\$ 90,396,874	\$ 48,193,955	\$ 13,111,543

Object 400	Object 500	Object 600	Object 700	Total
\$ 793,573	\$ -	\$ -	\$ -	\$ 35,606,083
159	-	-	-	1,214
-	-	-	-	3,483
106,695	-	1,074	-	9,486,042
193	-	-	-	50,160
-	-	-	-	5,445
229,029	-	12,372	-	18,468,599
80,185	-	37,081	-	2,192,547
-	-	-	-	7,116
-	-	-	-	152
25,766	-	2,000	-	236,453
72,882	-	38,328	-	8,837,112
30,626	-	779	-	10,863,748
16	-	-	-	16
-	-	-	-	322,924
33,283	-	1,279	-	2,363,385
41,790	-	24	-	7,352,653
-	-	-	-	7,417
1,414,197	-	92,937	-	95,804,549
8,316	-	-	-	1,572,934
11,960	-	15	-	4,674,362
16,982	-	1,076	-	1,012,965
2,540	-	-	-	672,517
4,609	-	565	-	1,609,475
-	-	-	-	81,625
14,027	-	479	-	165,220
19,586	-	11,000	-	116,257
85,766	-	241	-	1,396,041
21,583	-	9,652	-	209,381
33,788	-	376	-	381,555
14,467	-	23,723	-	130,912
-	-	5,456	-	799,195
335,389	-	10,850	-	11,719,970
104,637	-	1,234	-	963,701
14,854	-	7,419	-	780,673
23,062	-	23,321	-	787,941
818,664	81,684	766,207	-	15,550,006
1,537,775	462,788	110,911	-	12,758,917
117,404	-	-	-	469,875
-	-	-	-	375
3,476	-	175	-	314,873
12,317	-	-	-	1,588,899
374,806	115,746	11,769	-	3,725,248
2,764	-	-	-	21,219
-	-	-	-	145,234
-	-	-	-	617,285
3,578,772	660,218	984,469	-	62,266,655
3,982	-	500	-	365,993
3,982	-	500	-	365,993
-	-	532,950	-	533,200
-	-	532,950	-	533,200
\$ 4,996,951	\$ 660,218	\$ 1,610,856	\$ -	\$ 158,970,397

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES**FOR THE YEAR ENDED JUNE 30, 2012**

	100	200	300
EXPENDITURES:			
Instruction:			
1111 Primary programs	\$ 25,812	\$ 7,204	\$ 16,412
1113 Elementary extracurricular	27,544	7,402	8,848
1121 Middle school programs	14,666	3,770	9,619
1122 Middle school extracurricular	3,225	846	6,469
1131 High school programs	87,061	41,528	69,876
1132 High school extracurricular	8,331	3,063	26,803
1133 High school Saturday school	91,787	31,640	466
1220 Students with disabilities - restrictive programs	1,000,127	468,791	45,875
1250 Students with disabilities - less restrictive programs	181,586	140,883	75
1272 Title I	1,532,566	1,031,969	3,429
1279 Title I - Private School	-	-	20,028
1280 Alternative education	286,120	139,189	757,051
1290 Designated programs	237,778	99,448	17,848
1400 Summer school program:	199,207	51,057	51,572
Total instruction	3,695,810	2,026,790	1,034,371
Support services:			
2110 Attendance and social work services	161,929	93,429	79,192
2120 Guidance services	4,000	1,263	59,754
2130 Health services	340	76	2,360
2140 Psychological services	321,119	147,174	44,765
2150 Speech pathology and audiology services	175,123	104,181	-
2160 Student treatment center	219,766	102,009	21,224
2190 Service direction, student special education	357,270	167,179	26,895
2210 Improvement of instruction services	175,434	65,003	55,215
2220 Media services	18,717	14,142	-
2240 Instructional staff development	1,159,882	342,128	451,823
2410 Office of the principal services	2,406	498	2,776
2490 Other support services school administration	124,878	50,771	9,903
2510 Direction of business support services	-	-	-
2520 Fiscal services	-	-	-
2540 Operation and maintenance of plant	-	-	6,861
2550 Student transportation services	-	-	21,809
2610 Direction of central support services	676,204	292,990	2,204
2620 Planning, research and development services	6,782	1,493	71
2640 Recruitment and placement	-	-	5,192
2660 Technology services	39,630	17,360	176,568
Total support services	3,443,480	1,399,696	966,612
Enterprise and community services:			
3100 Food services	2,168,320	1,262,654	95,005
3300 Community services	21,825	10,676	102,818
Total enterprise and community services	2,190,145	1,273,330	197,823
Capital projects:			
4150 Building acquisition, construction & improvements	-	-	132,522
Total capital projects	-	-	132,522
TOTAL EXPENDITURES	\$ 9,329,435	\$ 4,699,816	\$ 2,331,328

400	500	600	Total
\$ 89,797	\$ -	\$ 651	\$ 139,876
291,804	-	-	335,598
12,788	-	-	40,843
318,932	-	-	329,472
93,549	-	5,358	297,372
4,061,596	-	4,076	4,103,869
6,971	-	-	130,864
30,005	-	-	1,544,798
44,741	-	-	367,285
19,091	-	-	2,587,055
1,652	-	-	21,680
44,502	-	17,963	1,244,825
11,924	-	-	366,998
2,099	-	-	303,935
5,029,451	-	28,048	11,814,470
5,615	-	-	340,165
1,912	-	-	66,929
22,710	-	-	25,486
-	-	-	513,058
-	-	-	279,304
7,034	-	3,757	353,790
558	-	-	551,902
36,189	-	-	331,841
6,807	-	-	39,666
77,758	-	5,565	2,037,156
45,530	-	290	51,500
26,113	-	-	211,665
175	-	-	175
98	-	-	98
-	-	-	6,861
-	670,654	44,923	737,386
4,964	-	-	976,362
150	-	-	8,496
2,189	-	-	7,381
1,630	-	-	235,188
239,432	670,654	54,535	6,774,409
3,846,684	86,444	56,297	7,515,404
25,786	-	-	161,105
3,872,470	86,444	56,297	7,676,509
2,500	-	6,515	141,537
2,500	-	6,515	141,537
\$ 9,143,853	\$ 757,098	\$ 145,395	\$ 26,406,925

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF DEBT SERVICE FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2012

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	TOTAL
EXPENDITURES:							
Other uses:							
5100 Debt service	\$ -	\$ -	\$ 800	\$ -	\$ -	\$ 33,563,261	\$ 33,564,061

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2012

	Object 100	Object 200	Object 300	Object 400
EXPENDITURES:				
Facilities acquisition & construction expenditures:				
4110 Service area direction	\$ 214,164	\$ 94,696	\$ 150,349	\$ 122,971
4150 Building acquisition, construction, & improvement services	-	-	1,107,758	19,088
TOTAL EXPENDITURES	\$ 214,164	\$ 94,696	\$ 1,258,107	\$ 142,059

Object 500	Object 600	TOTALS
\$ 345,717	\$ 4,206	\$ 932,103
4,443,599	5,246	5,575,691
\$ 4,789,316	\$ 9,452	\$ 6,507,794

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF FIDUCIARY FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2012

	Object 100	Object 200	Object 800	TOTALS
EXPENDITURES:				
Support services:				
2700 Supplemental retirement program	\$ 128,338	\$ 36,815	\$ -	\$165,153

SUPPLEMENTAL INFORMATION, 2011-2012

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	\$ 3,483,103
Function 2550	\$ 29,641

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

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

Exclude these functions:

Exclude these functions:

\$ -

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

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

December 30, 2012

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of Hillsboro School District No. 1J as of and for the year ended June 30, 2012, and have issued our report thereon dated December 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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.**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **State school fund factors and calculation.**
- **Authorized investment of surplus funds (ORS Chapter 294).**

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, 2012.

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 controls 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 108.

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.


PAULY, ROGERS AND CO., P.C.

Grant Compliance Review

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**For the Year Ended June 30, 2012**

July 1, 2011 - June 30, 2012					
Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period	Revenue	Expenditures
U.S. DEPARTMENT OF EDUCATION:					
Small Learning Communities	84.215L	S215L080556-11	2011-12	191,723	191,723
				<u>\$ 191,723</u>	<u>191,723</u>
Passed through Oregon State Department of Education:					
Title IA	84.010	19422	2010-11	398,190	398,190
	84.010	22632	2011-12	3,210,805	3,210,805
				<u>\$ 3,608,995</u>	<u>3,608,995</u>
Title ID	84.010	22548	2011-12	42,480	42,480
				<u>\$ 42,480</u>	<u>42,480</u>
School Improvement Tier III Phase II	84.010	21707	2010-12	24,439	24,439
School Improvement Tier III Phase II	84.010	21715	2010-12	45,510	45,510
School Improvement	84.010	24397	2011-13	40,772	40,772
School Improvement	84.010	24411	2011-13	56,187	56,187
School Improvement	84.010	24417	2011-13	41,144	41,144
				<u>\$ 208,052</u>	<u>208,052</u>
Migrant Education					
Title IC Summer School	84.011	21618	2011	237,204	237,204 (1)
	84.011	24747	2012	26,943	26,943 (1)
Title IC Regular School	84.011	19274	2010-11	117,592	117,592 (1)
	84.011	22182	2011-12	644,083	644,083 (1)
NASDME Conference	84.011	24588	2011-12	3,000	3,000 (1)
Title IC Preschool	84.011	19255	2010-11	48,202	48,202 (1)
	84.011	22201	2011-12	21,963	21,963 (1)
				<u>\$ 1,098,987</u>	<u>1,098,987</u>
EBISS District	84.323	21226	2010-11	9,972	9,972
Scale EBISS	84.027	23436	2011-12	18,200	18,200 (1)
EBISS District Sub Grants SPDG Extension	84.323	23448	2011	8,197	8,197
				<u>\$ 36,369</u>	<u>36,369</u>
SLP Mentoring Grant	84.323	21635	2011-12	4,500	4,500
	84.323	21636	2011-12	4,500	4,500
				<u>\$ 9,000</u>	<u>9,000</u>
IDEA - Part B Section 611	84.027	20301	2010-12	2,124,233	2,124,233 (1)
IDEA - Part B Section 611	84.027	23591	2011-13	1,333,170	1,333,170 (1)
				<u>\$ 3,457,403</u>	<u>3,457,403</u>
IDEA Enhancement 2010-11	84.027	21324	2010-11	9,482	9,482 (1)
IDEA Enhancement 2011-12	84.027	23812	2011-12	6,485	6,485 (1)
				<u>\$ 15,967</u>	<u>15,967</u>
Extended Assessment 2011-12	84.027	24035	2011-12	5,400	5,400 (1)
				<u>\$ 5,400</u>	<u>5,400</u>
SPR&I	84.027	23095	2011-12	8,496	8,496 (1)
				<u>\$ 8,496</u>	<u>8,496</u>
Perkins Comprehensive Basic	84.048,84.243	19150	2010-11	66,360	66,360
Perkins Comprehensive Basic	84.048	22127	2011-12	127,025	127,025
				<u>\$ 193,385</u>	<u>193,385</u>

July 1, 2011 - June 30, 2012					
Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period	Revenue	Expenditures
Title X McKinney Vento	84.196	19887	2010-12	23,193	23,193
				<u>\$ 23,193</u>	<u>23,193</u>
Title III English Language Acquisition	84.365	20175	2010-11	171,218	171,218 (1)
	84.365	22975	2011-12	405,333	405,333 (1)
				<u>\$ 576,551</u>	<u>576,551</u>
Evaluation of State and Local Education Programs	84.305E	224001D	2011-12	166,671	166,671
				<u>\$ 166,671</u>	<u>166,671</u>
Title IIA - Teacher Quality	84.367	19629	2010-11	283,570	283,570 (1)
Title IIA - Teacher Quality	84.367	22817	2011-12	561,425	561,425 (1)
				<u>\$ 844,995</u>	<u>844,995</u>
OR Teacher Induction Ldr 10-11	84.367	21202	2010-11	5,465	5,465 (1)
				<u>\$ 5,465</u>	<u>5,465</u>
ARRA - Education Jobs Fund	84.410	20797	2010-12	1,000,000	1,000,000 (1)
				<u>\$ 1,000,000</u>	<u>1,000,000</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u><u>\$ 11,493,132</u></u>	<u><u>11,493,132</u></u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Vocational Rehabilitation Services - Youth Transition	84.126A	136025	2011-13	92,182	92,182
				<u>\$ 92,182</u>	<u>92,182</u>
CAF-SSP (My Future My Choice)	93.235	136252	2011-12	15,144	15,144
				<u>\$ 15,144</u>	<u>15,144</u>
HEY! Together Coalition	93.276	5H79SP014666-04	2011-12	97,113	97,113
				<u>\$ 97,113</u>	<u>97,113</u>
Affordable Care Act Grant	93.501	6 C12CS21885-01-03	2011-13	89,037	89,037
				<u>\$ 89,037</u>	<u>89,037</u>
Passed through Washington County: Social Services Block Grant	93.667	705015-7020420	2011-12	25,020	25,020
				<u>\$ 25,020</u>	<u>25,020</u>
Promoting Safe and Stable Families	93.556	705015-7020580	2011-12	26,429	26,429
				<u>\$ 26,429</u>	<u>26,429</u>
Passed through Oregon State Department of Education: Quality Improvement	93.575	24713	2012	1,438	1,438
				<u>\$ 1,438</u>	<u>1,438</u>
Passed through the Oregon Employment Department: Child Care and Development Block	93.575	CCD115113	2011-13	76,076	76,076
				<u>\$ 76,076</u>	<u>76,076</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u><u>\$ 422,439</u></u>	<u><u>422,439</u></u>

July 1, 2011 - June 30, 2012					
Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period	Revenue	Expenditures
U.S. DEPARTMENT OF LABOR					
Passed through Work Systems, Inc:					
Workforce Investment Act	17.259	10-70534	2010-11	51,065	51,065
	17.259	11-70534	2011-12	2,068	2,068
	17.259	11-70501	2011-12	727,476	727,476
				<u>\$ 780,609</u>	<u>780,609</u>
TOTAL U.S. DEPARTMENT OF LABOR				<u><u>\$ 780,609</u></u>	<u><u>780,609</u></u>
U.S. DEPARTMENT OF AGRICULTURE:					
Passed through Oregon State Department of Education:					
National School Lunch Program - Breakfast	10.553	3408001	2011-12	1,166,418	1,166,418
National School Lunch Program - Lunch	10.555	3408001	2011-12	3,831,724	3,831,724
National School Lunch Program - Snack	10.555	3408001	2011-12	56,458	56,458
USDA - Commodities	10.555	3408001	2011-12	510,660	510,660
Summer Food Service Program for Children	10.559	3408001	2011-12	139,364	139,364
				<u>\$ 5,704,624</u>	<u>5,704,624</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE:				<u><u>\$ 5,704,624</u></u>	<u><u>5,704,624</u></u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u><u>\$ 18,400,804</u></u>	<u><u>18,400,804</u></u>

(1) Major Program



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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December 30, 2012

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 the basic financial statements of Hillsboro School District No. 1J as of and for the year ended June 30, 2012, and have issued our report thereon dated December 30, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered internal control 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 internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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 deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of 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 certain matters that we reported to management on the Schedule of Findings and Questioned Costs on page 108.

Management's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
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December 30, 2012

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

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Hillsboro School District No. 1J with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The major federal programs are identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

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. Our audit does not provide a legal determination of compliance with those requirements.

In our opinion, Hillsboro School District No. 1J complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


PAULY, ROGERS AND CO., P.C.

WASHINGTON COUNTY, OREGON

SCHEDULE FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued

Unqualified

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:

Unqualified

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

CFDA NUMBER **NAME OF FEDERAL PROGRAM CLUSTER**

84.027	IDEA Cluster
84.410	Education Jobs ARRA
84.011	Migrant Education
84.367	Improving Teacher Quality
84.365	English Language Acquisition

Dollar threshold used to distinguish between type A and type B programs: \$552,024

Auditee qualified as low-risk auditee?

☒ yes ☐ no

HILLSBORO SCHOOL DISTRICT NO. 1J
WASHINGTON COUNTY, OREGON

SCHEDULE FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

2012-FS-1

Condition: We found some I-9s that were missing or are filled out incorrectly.

Criteria: Accurate I-9s should be kept on file for current employees.

Effect: Without I-9s on file, the possibility exists of employing unauthorized workers.

Cause: Accurate I-9s are not kept on file for every employee.

Recommendations: We recommend that an accurate I-9 be kept on file for all employees hired after November 1986.

Management's Response: The appropriate payroll department staff will verify with human resources that a correct I-9 has been processed and is on file for all new hires prior to payment to the staff member.

2012-FS-2

Condition: Bank reconciliations are not being completed or reviewed by a person independent of the preparer in a timely manner.

Criteria: Bank reconciliations should be completed or reviewed by a person independent of the preparer in a timely manner.

Effect: Without proper completion and review on bank reconciliations, the possibility exists for intentional or unintentional errors to exist.

Cause: Bank reconciliations are not being completed or reviewed by a person independent of the preparer in a timely manner.

Recommendations: We recommend all reconciliations be prepared within a few weeks of receiving the necessary information and that review take place as soon as possible following completion of the bank reconciliation.

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

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.