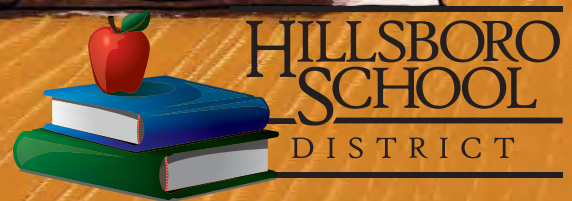
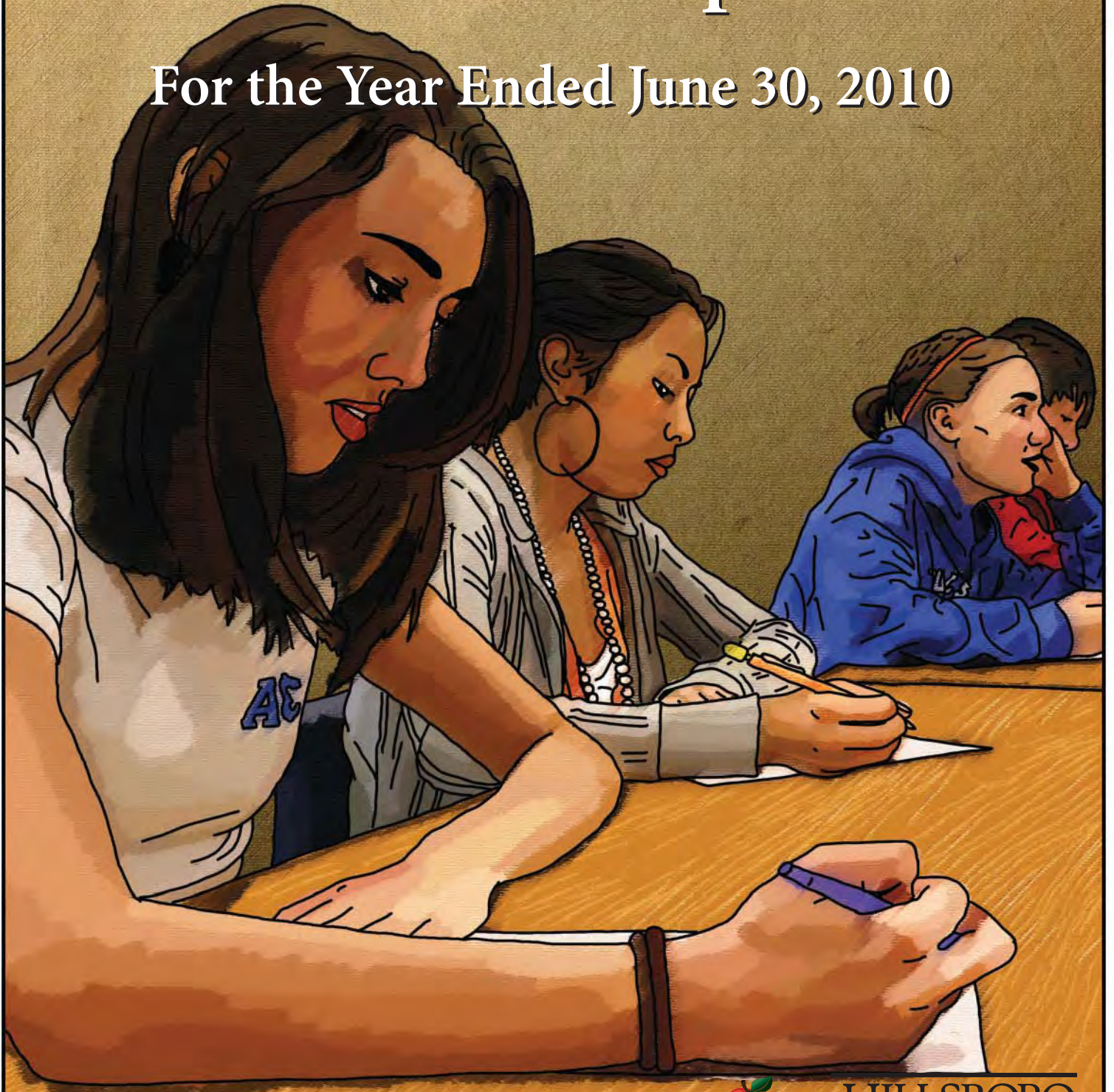


# Comprehensive Annual Financial Report

For the Year Ended June 30, 2010



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

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**for the Fiscal Year Ended June 30, 2010**

*Prepared by the  
Business Office staff*

Adam Stewart, Chief Financial Officer

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

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

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# Hillsboro School District

BUSINESS OFFICE



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HILLSBORO, OR 97124-6006  
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WEB: [www.hsd.k12.or.us](http://www.hsd.k12.or.us)

December 9, 2010

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

In accordance with the provisions of Oregon Revised Statutes, Sections 297.405 to 297.555 and 297.990, known as the Municipal Audit Law, there is submitted herewith the Comprehensive Annual Financial Report of Hillsboro School District 1J, Washington County, Oregon for the year ended June 30, 2010.

This report was prepared by the School District's business office. The responsibility for the completeness and fairness of the data presented and all accompanying disclosures rests with the School District.

To provide a reasonable basis for making these representations, the District's management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

As management, we assert that, to the best of our knowledge and belief, this financial report and its data is complete and reliable in all material respects, includes all funds, account groups, and financial transactions, and is presented fairly to disclose the financial position, results of operations, and cash flows of the District at June 30, 2010, and for the year then ended.

GAAP requires 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 as of July 1, 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 2009-2010 the management staff consisted of one superintendent, three assistant superintendents, five executive directors, four directors, one chief financial officer, one chief technology officer, principals and vice-principals. The Board of Directors hires all management staff members. The District also employs 1,099 teachers and 869 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 most of the City of Hillsboro, all of the City of North Plains, a portion of the City of Cornelius, and surrounding unincorporated areas. The current estimated population is 132,708. Almost all of the more than 200 square miles encompassed in the District is 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 the number of students in the District has grown by 2,506 or an average of approximately 1.4 percent per year during the last decade.

School Year	Average Daily Membership
09-10	19,789
08-09	19,530
07-08	19,122
06-07	18,997
05-06	18,711
04-05	18,437
03-04	18,079
02-03	18,070
01-02	17,705
00-01	17,283

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, 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 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 has appropriated funds to replace property tax revenue lost by educational entities through the 1999-01 biennium. There is no requirement for the legislature to replace property tax revenues lost by other entities.

On November 5, 1996, Oregon voters passed by initiative petition another constitutional property tax limitation measure known as Ballot Measure 47. The measure creates a third constitutional limit on property tax levies. Under this ballot measure, property taxes for 1997-98 on each individual property was 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 a ballot measure to modify ballot Measure 47. Ballot Measure 50 was referred to voters by the legislature and clarified Measure 47, fixed drafting errors and established a method of computing a “permanent” tax rate for school districts. The permanent tax rate for Hillsboro School District was established at \$4.9749 per thousand of assessed value.

Measure 50 reduced the amount of operating property tax revenues available to the District for its 1997-98 fiscal year, and thereafter. The measure required a 17 percent overall statewide reduction in operating tax levies in 2003-2004. 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 sets restrictive voter approval requirements for most tax increases, many fee increases, new bond issues, and requires the state of Oregon to minimize the impact to school districts from the impact of the tax cuts. The state of Oregon, in its 1997 legislative session, provided additional State revenues for the 1997-99 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.

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

## **MISSION STATEMENT AND PRIORITIES**

In the spring of 2006, 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 four strategies are:

- Reignite the community's passion and commitment for our schools in order to build a world-class school system.
- Develop and implement a comprehensive plan to address future student population growth and its related needs.
- Ensure all staff use effective instructional strategies that actively engage students in achieving our strategic objectives.
- Continue the Hispanic outreach programs to ensure that all students meet both standards and graduation requirements.

During the 2009-10 year, the focus of the entire District has been to maintain financial stability within the District while refocusing staffing and resources to promote increased student achievement. This objective includes protecting the integrity of the District's programs against financial uncertainties while adequately addressing the student population growth within the District. Oregon's school finance system involves a formula that pays for the average daily enrollment of students in various categories. The formula includes local property taxes and State payments as the principal sources of revenue. The state of Oregon depends on personal income tax to provide its share of this revenue. The Oregon legislature originally appropriated \$6.0 billion for K-12 allocations for the 2009-11 biennium, an decrease of approximately 3.9 percent over the 2005-07 biennium. However, due to lower than anticipated tax collections at the State level, the appropriation for K-12 funding for the 2009-11 biennium is currently \$5.7 billion.

## **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 and "available" means collectible within the current period or soon enough hereafter 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, 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 student body accounts controlled by each school and the Deferred Compensation Plan controlled by the District.

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

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

**Internal Accounting Controls:**

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

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

**Budgetary Control:**

The District annually prepares a budget to control the fiscal operations for one year. Oregon Local Budget Law (ORS 294.305 to 294.565) requires the appointment of a budget committee to review and approve the budget. The budget committee consists of the seven members of the Board of Directors and seven electors of the District who are appointed by the Board of Directors. The administration proposes a budget to the budget committee; the budget committee may modify or approve the proposed budget.

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

**Risk Management:**

To date, the District has elected to sell all risk other than that represented by minimal deductible amounts per loss. Workers' Compensation insurance is typically procured on a retrospectively-rated basis so that total insurance cost is ultimately in direct proportion to losses. Property/Casualty insurance is currently in force at replacement value with a \$10,000 per loss deductible. Comprehensive, general, and automotive liability insurance

provides \$1,000,000 basic coverage. Errors and Omissions coverage (sometimes called Difference in Conditions coverage) is in force for \$500,000. Excess coverage over the Basic and DIC coverage is in force at \$9,500,000.

**Independent Audit:**

The provisions of Oregon Revised Statutes, Section 297.405 to 297.555 and 297.990 (known as the “Municipal Audit Law”), require that an independent audit be made of all District funds and account groups within six months following the close of a fiscal year. The firm of Pauly, Rogers, and Co., P.C., who are selected by the Board of Directors, have completed their examination of the District’s funds and, accordingly, have included their opinion in the financial section of this report.

**Awards:**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Hillsboro School District 1J for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the fifteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government 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 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 District.

Respectfully submitted,



Michael Scott  
Superintendent of Schools



Adam 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, 2009

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.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**OFFICIALS OF THE DISTRICT**

**JUNE 30, 2010**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Term Expires</u>
Carolyn Ortman, Chair 21532 SW Rankin Court Aloha, Oregon 97006	June 30, 2013
John Peterson, Vice Chair 3156 NE 11 <sup>th</sup> Court Hillsboro, Oregon 97124	June 30, 2011
Adriana Cañas 1250 NE Estelle Court Hillsboro, Oregon 97124	June 30, 2011
Rebecca Lantz 6845 NW Roy Road Cornelius, Oregon, 97113	June 30, 2013
Patti McLeod 33720 SW Peaks View Drive Hillsboro, Oregon 97123	June 30, 2013
Hugh O'Donnell 208 S.E. 59 <sup>th</sup> Lane Hillsboro, Oregon 97123	June 30, 2011
Janeen Sollman 306 NE 64 <sup>th</sup> Court Hillsboro, Oregon 97124	June 30, 2013

**DISTRICT ADMINISTRATION**

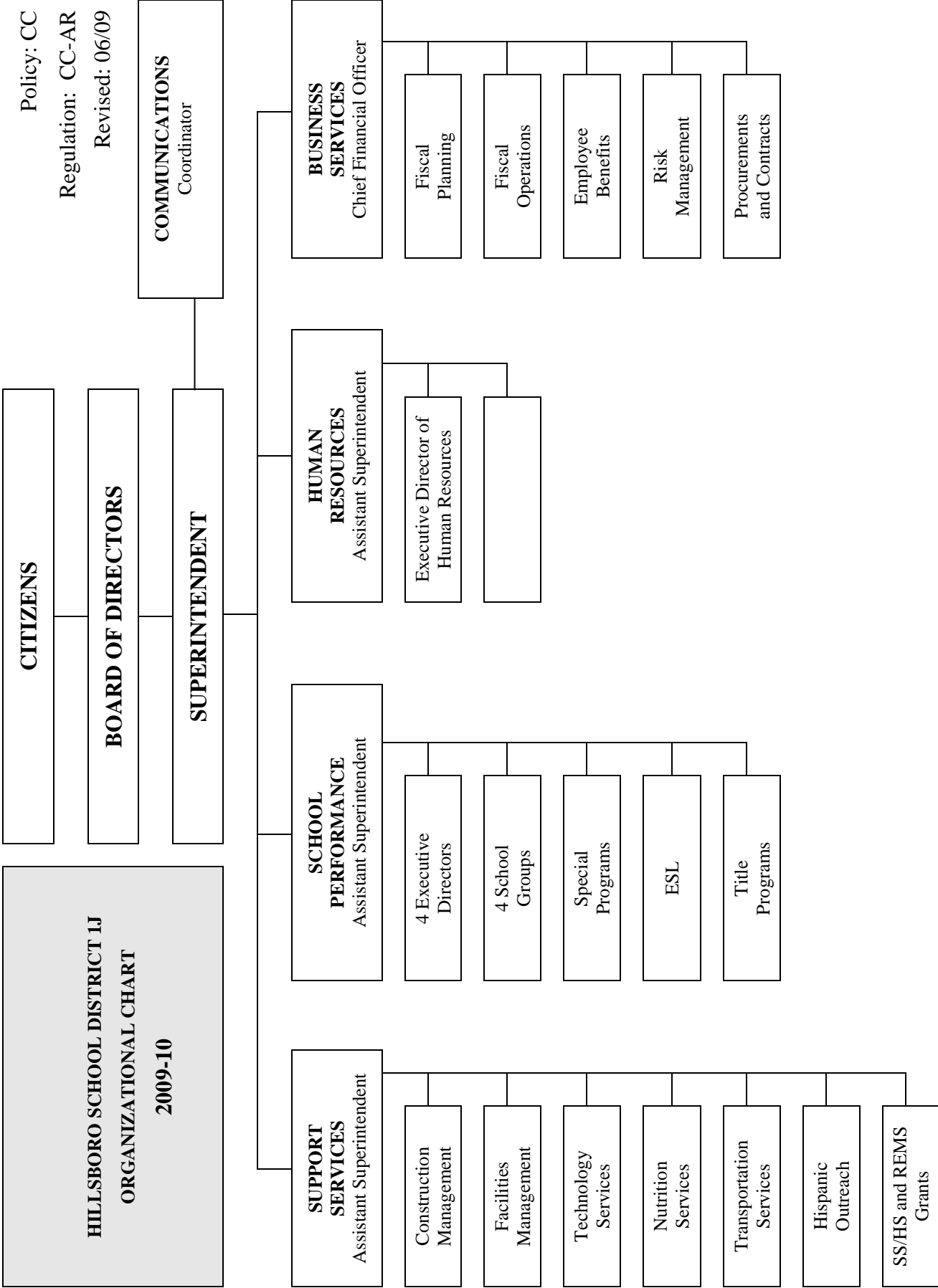
Mike Scott, Superintendent – Clerk  
Adam Stewart, Chief Financial Officer – Deputy Clerk

**DISTRICT ADDRESS**

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

**HILLSBORO SCHOOL DISTRICT 1J  
ORGANIZATIONAL CHART  
2009-10**

Policy: CC  
Regulation: CC-AR  
Revised: 06/09







**PAULY, ROGERS AND CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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

December 9, 2010

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

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the remaining fund information of Hillsboro School District No. 1J, Washington County, Oregon, as of and for the year ended June 30, 2010, 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 generally accepted auditing standards 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 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. 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 the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, the discretely presented component unit, and the remaining fund information of the Hillsboro School District No. 1J, Washington County, Oregon, at June 30, 2010, and the results of its operations and respective budgetary comparison of the General Fund and Special Revenue Fund for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 9, 2010, on our consideration of Hillsboro School District No. 1J's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

December 9, 2010  
Board of Directors  
Hillsboro School District

The Management Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management about this supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hillsboro School District's basic financial statements. The Supplementary Information, including budgetary comparison schedules (which are required supplementary information for major governmental funds) as listed in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as listed in the table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Supplementary Information and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Additional Schedules, as listed in the Table of Contents, are presented as supplemental schedules for the Oregon Department of Education, and are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquires of management about this supplementary information. However, we did not audit the information and do express an opinion on it. We also did not audit the Required Supplemental Information, as listed in the Table of Contents, and we express no opinion on it.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

  
PAULY, ROGERS AND CO., P.C.

# **HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

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

### **YEAR ENDED JUNE 30, 2010**

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, 2010. 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 \$53.1 million. Of this amount, \$44.7 million represents the District's investment in capital assets, \$3.7 million is restricted for debt service, \$23.7 million for Capital projects and the balance, (\$19.0) million, is unrestricted and available to meet the District's ongoing obligations to citizens and creditors.
- ❖ For the fiscal year ended June 30, 2010, the District's total current and other assets decreased by \$31.0 million. This decrease is primarily due to the expenditure of approximately \$20.9 million of capital projects cash and investments on new school facilities.
- ❖ In addition, this marks the third 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 \$1,962,513 and the net pension asset to be \$58,109 as of June 30, 2010.
- ❖ The District's governmental funds show a combined ending fund balance of \$48.3 million, a reduction of \$20.1 million in comparison with the prior year. The reduction is attributable to bond proceeds being spent for new construction and remodeling of existing buildings. At the end of the fiscal year, the unreserved fund balance for the general fund was \$17.6 million or about 11.3 percent of total general fund expenditures. This was a decrease of approximately \$2.1 million from the previous year.
- ❖ The District's total long-term debt decreased by \$15.3 million during the 2009-10 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 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.

# **HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **YEAR ENDED JUNE 30, 2010**

**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 14 and 15 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 fiduciary funds.

- ❖ **Governmental funds.** The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the *government-wide financial statements*. However, unlike the *government-wide financial statements*, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of

# **HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **YEAR ENDED JUNE 30, 2010**

*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 16 and 18 of this report.

- ❖ ***Fiduciary funds.*** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. *Fiduciary funds* are 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 basic fiduciary fund financial statements can be found on pages 22 and 23 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 24-46 of this report.

**Other information.** Schedules presenting detailed budgetary information for individual funds and other supplemental information can be found on pages 47-56 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 \$53.1 million at June 30, 2010.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 63.6 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 (96.5 percent) is for the repayment of general obligation and pension bonds. Current liabilities, representing about 4.9 percent of the District's total liabilities, consist almost entirely of payables on accounts, salaries and benefits, and the current portion of long-term debt.

# **HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **YEAR ENDED JUNE 30, 2010**

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 these 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 Net Assets (in thousands)			
	Governmental Activities		Increase (Decrease) from Fiscal 2009
	2010	2009	
Current and other assets	\$ 154,336	\$ 186,052	\$ (31,716)
Capital assets	270,889	256,225	14,664
Total assets	<u>425,225</u>	<u>442,277</u>	<u>(17,052)</u>
Current liabilities	13,185	19,264	(6,079)
Long-term debt outstanding	358,978	373,252	(14,274)
Total liabilities	<u>372,163</u>	<u>392,516</u>	<u>(20,353)</u>
Net assets:			
Invested in capital assets, net of related debt	44,713	36,340	8,373
Restricted	27,365	45,302	(17,937)
Unrestricted	(19,016)	(31,881)	12,865
Total net assets	<u>\$ 53,062</u>	<u>\$ 49,761</u>	<u>\$ 3,301</u>

During the current fiscal year, the District's net assets increased by \$3.3 million. The District's Net Assets, Restricted, decreased by \$17.9 million due to the expenditure of bond funds, which have a balance of \$23.7 million.

**Governmental activities.** The key elements of the change in the District's net assets for the year ended June 30, 2010, are as follows:

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)****YEAR ENDED JUNE 30, 2010**

Hillsboro School District 1J Changes in Net Assets (in thousands)			
	Governmental Activities		Increase (Decrease) from Fiscal 2009
	2010	2009	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 6,489	\$ 6,232	\$ 257
Operating grants and contributions	20,121	19,988	133
Capital grants and contributions	81	71	10
General revenues:			
Property taxes	76,188	70,039	6,149
State school fund - general support	101,052	103,157	(2,105)
Other state & local sources:			
Earnings on investments	786	3,229	(2,479)
Miscellaneous	11,438	10,750	483
	216,153	213,466	2,447
<b>Expenses:</b>			
Instruction	113,084	122,478	(9,294)
Support services	72,722	86,269	(13,483)
Enterprise and community services	8,780	9,458	(670)
Facilities acquisition and construction	-	-	-
Interest on long-term debt	17,242	17,905	(633)
Total expenses	211,828	236,110	(24,110)
Increase in net assets	4,326	(22,644)	26,970
Restatement of net assets	-	14,909	(14,909)
Net assets – July 1	49,761	57,496	(7,735)
Prior period adjustment	(1,025)	-	(1,025)
Net assets – June 30	\$ 53,062	\$ 49,761	\$ 3,301

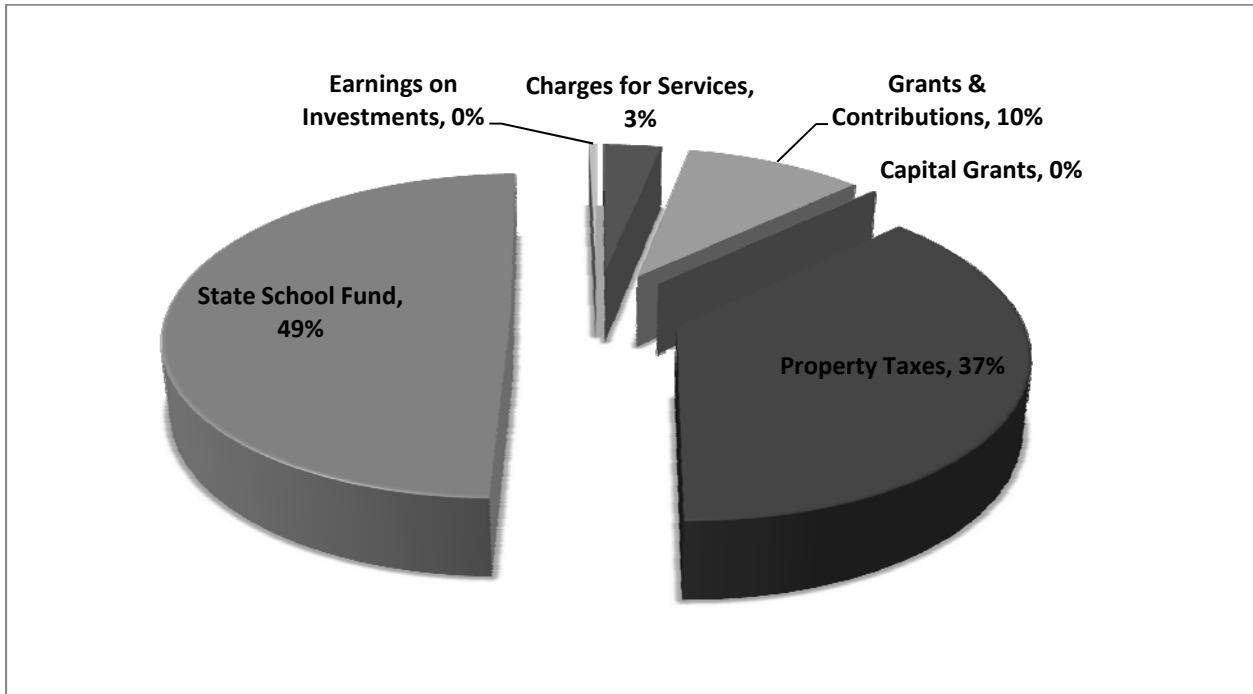
**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**YEAR ENDED JUNE 30, 2010**

**REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES**



- ❖ State School Fund revenue was down \$2.1 million, and accounts for 1.5% less of total Revenues in 2009-10, which is a result of a deteriorating economy.
- ❖ Investment earnings decreased by \$2.5 million reflecting a significant decrease in interest rates and fewer Capital Improvement funds to invest.
- ❖ Property Tax collections increased by \$6.1 million as a result increasing requirements in the Debt Service Fund.

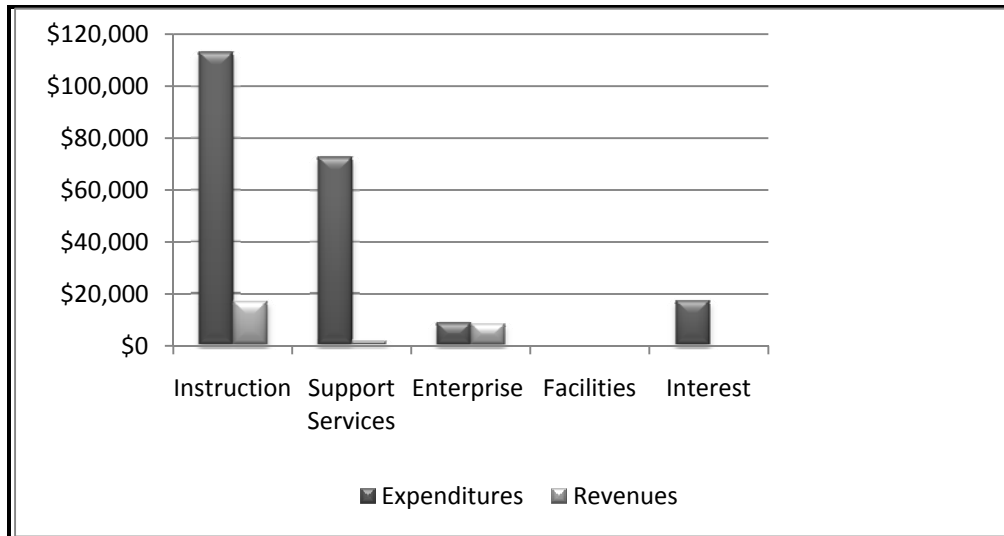
# HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2010

### 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, *unreserved 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, 2010, the District's governmental funds reported combined ending fund balances of \$48.3 million, a decrease of \$20.9 million in comparison with the prior year. About \$20.1 million (41.0 percent) of the ending fund balance constitutes *unreserved ending fund balance*, which is available for spending at the government's discretion. About 48.4 percent of fund balance (\$23.7 million) is designated for capital projects, as authorized by voters. An additional \$3.6 million is designated for debt service obligations.

- ❖ **General Fund.** The *General Fund* is the chief operating fund of the District. As of June 30, 2010, unreserved fund balance was \$17.5 million. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents nearly 11.5 percent of total *General Fund* expenditures.

The fund balance decreased by \$2.1 million during the current fiscal year. This decrease was due primarily to a decrease in State Funding revenue.

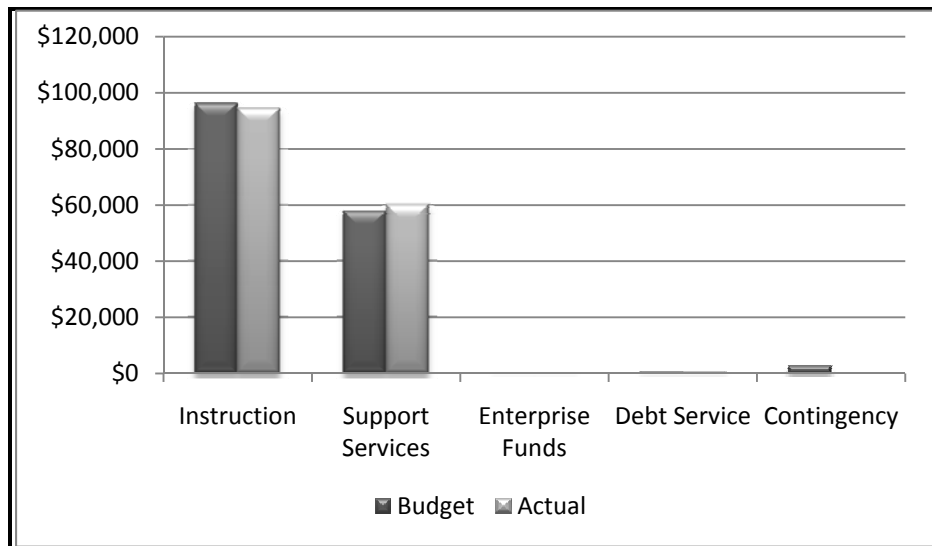
**HILLSBORO SCHOOL DISTRICT 1J**  
Washington County, Oregon

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

**YEAR ENDED JUNE 30, 2010**

- ❖ **Special Revenue Fund.** At June 30, 2010, the fund balance was \$3.0 million, which is a decrease of \$814,022 from the prior year. Expenditures were \$29.0 million as compared to \$28.2 million in revenues.
- ❖ **Debt Service Fund.** The Debt Service Fund has a total fund balance of \$3.6 million, all of which is designated for the payment of debt service. This represents a net decrease in fund balance from the prior year of approximately \$2.2 million. The \$3.6 million level of carryover is adequate to address Debt Service requirements until property taxes are received in November.
- ❖ **Capital Projects Fund.** The Capital Projects Fund has a total fund balance of \$23.7 million, all of which is designated for ongoing district capital project and maintenance. This represents a net decrease in fund balance during the year of approximately \$15.7 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)**



**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund adopted budget for the fiscal year ended June 30, 2010, was increased by \$2.6 million during the fiscal year. The increase was due to additional state dollars received following the passage of Ballot Measures 66 & 67 in January, 2010. These additional revenues required the district to add back four days which had originally been cut from the 2009-10 school calendar. Revenues were \$4.8 million higher than budgeted. The District received \$963,902 in State Fiscal Stabilization Funds (SFSF), federal dollars which came to the District as part of the Federal Stimulus package. These SFSF dollars, along with

# **HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **YEAR ENDED JUNE 30, 2010**

additional State funding as a result of the passage of Ballot Measures 66 & 67, were a significant factor in minimizing district reductions. During the year expenditures were about \$4.5 million less than budgeted. The largest share of the savings came from not having to use the budgeted amounts for contingency.

#### **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, 2010, the District had invested over \$270.9 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
	2010	2009	Fiscal 2009
Land	\$ 30,719	\$ 30,719	\$ 0
Buildings and improvements	232,729	181,202	51,527
Vehicles & equipment	7,441	4,142	3,299
Construction in progress	<u>0</u>	<u>40,161</u>	<u>(40,161)</u>
Total	\$ 270,889	\$ 256,225	\$ 14,665

During the year, the District's investment in capital assets increased by \$14.7 million. The major capital asset events for the year include the following:

- ❖ Substantial completion of the three elementary schools, one new middle school and the remodel of two middle schools per the 2006 Bond Campaign.

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)**

**YEAR ENDED JUNE 30, 2010**

**Long-term debt.** At the end of the current fiscal year, the District had total debt outstanding of \$359 million, consisting of general obligation bonds, certificate of participation notes, post retirement obligations and PERS pension bonds net of unamortized premium/discount.

<b>Hillsboro School District 1J</b>			
<b>Outstanding Debt</b>			
<b>(in thousands)</b>			
	<b>Governmental activities</b>		<b>Increase/ Decrease</b>
	<b>2010</b>	<b>2009</b>	<b>from</b>
			<b>Fiscal 2009</b>
General Obligation Bonds	250,617	265,498	(14,881)
Certificates of Participation	4,799	4,487	312
PERS Pension Bonds	101,600	102,330	(730)
Post Retirement Obligations	1,962	936	1,026
<b>Total</b>	<b>\$ 358,978</b>	<b>\$ 373,251</b>	<b>\$ (14,273)</b>

During the current fiscal year, the District did not incur any additional Long Term.

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 36 of this report.

### **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, 2010, 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.

During the 2009-10 school year, the District was forced to reduce its budget by \$1.7 million. These reductions were accomplished by reducing reserves and the implementation of, initially a reduction in supply and discretionary spending, and later a freeze on all non-essential spending.

## **HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

#### **YEAR ENDED JUNE 30, 2010**

Budgeting for the 2009-10 school year was even more painful. The District assumed a State K-12 biennial funding level of \$5.6 billion which required a reduction in the Current Service Level (CSL) budget of \$18.3 million. These reductions were made by reducing staff, increasing class sizes, reducing supply, discretionary spending and cutting 4 days from the school calendar. The District's Budget Committee and School Board considered all of these factors while preparing the District's budget for the 2009-10 fiscal year. As mentioned above, the District was able to add back the 4 cut days following the passage of Ballot Measure 66 & 67 in January, 2010.

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 spreads 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. In total the pension bonds allowed the district to reduce its PERS obligation by a total of \$4.7 million during the 2008-09 school year. The District has established a PERS Reserve Fund, which currently has a balance of \$1.5 million. The PERS Reserve Fund will offset future increases of 6-8% which are anticipated to occur when rates are adjusted in July, 2011.

The licensed contract with the Hillsboro Education Association (HEA) expired on June 30, 2009. The District and HEA signed a one year Memorandum of Understanding for the 2009-10 school year extending the existing contract through June 30, 2010. The classified contract with the Hillsboro Classified United (HCU) runs through June 30, 2011. It is important to note that both HEA and HCU were willing to partner with the District during the budgeting process for the 2009-10 school year and made significant concessions to help mitigate the impact of the loss in State funding.

A recent demographic report produced by Portland State University indicates that Hillsboro School District will experience rapid growth over the next five years at a rate of 400 students per year. The enrollment for 2009-10 increased by 65 students from 2008-09.

#### **REQUESTS FOR INFORMATION**

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

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HILLSBORO SCHOOL DISTRICT 1J  
Washington County, Oregon

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

**STATEMENT OF NET ASSETS**

**AT JUNE 30, 2010**

	<u>Governmental Activities</u>	<u>Component Unit</u>
<b><u>ASSETS:</u></b>		
Cash and investments	\$ 54,379,399	\$ 100,084
Receivables	8,224,183	-
Supply Inventory	189,101	-
Prepaid PERS unfunded liability	90,702,342	-
Bond issuance costs, net of accumulated amortization	107,732	-
Prepaid Expenses	674,988	5,200
Net pension asset	58,109	-
Capital assets:		
Not being depreciated	30,719,033	-
Being depreciated, net of accumulated depreciation	240,170,357	18,348
<b>TOTAL ASSETS</b>	<u>\$ 425,225,243</u>	<u>\$ 123,632</u>
<b><u>LIABILITIES:</u></b>		
Accounts payable	\$ 2,271,179	\$ 14,321
Accrued payroll, payroll taxes and employee withholdings	8,543,925	49,031
Accrued interest payable	621,133	-
Construction Retainage	251,467	-
Unearned revenue	1,092,575	17,135
Accrued compensated absences payable	404,361	-
Long-term debt:		
Due within one year	18,273,005	-
Due in more than one year	340,705,485	-
<b>TOTAL LIABILITIES</b>	<u>\$ 372,163,131</u>	<u>\$ 80,487</u>
<b><u>NET ASSETS:</u></b>		
Invested in capital assets, net of related debt	44,713,254	18,348
Restricted for debt service	3,654,721	-
Restricted for Capital projects	23,710,495	-
Unrestricted	(19,016,357)	24,797
<b>TOTAL NET ASSETS</b>	<u>\$ 53,062,112</u>	<u>\$ 43,145</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2010**

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	\$ 113,083,611	\$ 4,256,047	\$ 12,519,540	\$ -	\$ (96,308,024)	\$ 8,419	
Support Services	72,721,956	273,337	1,131,494	-	(71,317,125)	(18,586)	
Community Services	8,779,813	1,959,373	6,469,855	80,702	(269,883)	-	
Unallocated Depreciation	-	-	-	-	-	(22,544)	
Interest on Long-Term Debt	17,242,277	-	-	-	(17,242,277)	-	
Total Governmental Activities	<u>\$ 211,827,656</u>	<u>\$ 6,488,757</u>	<u>\$ 20,120,889</u>	<u>\$ 80,702</u>	<u>(185,137,309)</u>	<u>(32,711)</u>	
GENERAL REVENUES:							
					50,085,826	-	
					26,101,682	-	
					101,051,718	-	
					785,940	-	
					11,437,792	4,167	
					<u>189,462,958</u>	<u>4,167</u>	
					CHANGE IN NET ASSETS	4,325,649	(28,544)
					PRIOR PERIOD ADJUSTMENT	(1,024,431)	-
					NET ASSETS, July 1, 2009	49,760,894	71,689
					NET ASSETS, June 30, 2010	<u>\$ 53,062,112</u>	<u>\$ 43,145</u>

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J  
Washington County, Oregon

FUND FINANCIAL STATEMENTS

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**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2010**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 26,417,345	\$ 156,777	\$ 3,364,701	\$ 24,440,576	\$ 54,379,399
Receivables	2,828,566	3,579,587	1,313,340	502,689	8,224,183
Inventory and prepaids	56,478	132,623	-	-	189,101
Prepaid Expenses	308,222	366,766	-	-	674,988
<b>TOTAL ASSETS</b>	<b>29,610,611</b>	<b>4,235,753</b>	<b>4,678,041</b>	<b>24,943,265</b>	<b>63,467,670</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>LIABILITIES:</u></b>					
Accounts payable	1,159,096	123,924	-	988,159	2,271,179
Accrued payroll, payroll taxes and employee withholdings	8,543,925	-	-	-	8,543,925
Construction retainage	6,856	-	-	244,611	251,467
Deferred revenue	1,984,331	-	1,023,321	-	3,007,652
Unearned revenue	-	1,092,575	-	-	1,092,575
<b>TOTAL LIABILITIES</b>	<b>11,694,208</b>	<b>1,216,499</b>	<b>1,023,321</b>	<b>1,232,770</b>	<b>15,166,798</b>
 <b><u>FUND BALANCES:</u></b>					
Reserved for inventory and prepaids	364,700	499,389	-	-	864,088
Reserved for scholarships	-	-	-	-	-
Reserved for student activities	-	-	-	-	-
Reserved for debt service	-	-	3,654,721	-	3,654,721
Reserved for capital construction	-	-	-	23,710,495	23,710,495
Unreserved	17,551,703	2,519,865	-	-	20,071,568
<b>TOTAL FUND BALANCES</b>	<b>17,916,403</b>	<b>3,019,254</b>	<b>3,654,721</b>	<b>23,710,495</b>	<b>48,300,872</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 29,610,611</b>	 <b>\$ 4,235,753</b>	 <b>\$ 4,678,041</b>	 <b>\$ 24,943,265</b>	 <b>\$ 63,467,670</b>

The accompanying notes are an integral part of this statement.

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

**RECONCILIATION OF GOVERNMENT FUNDS  
BALANCE SHEET TO STATEMENT OF NET ASSETS**

**JUNE 30, 2010**

<b>TOTAL FUND BALANCES</b>		\$ 48,300,872
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Capital Assets	\$ 385,740,541	
Accumulated depreciation	<u>(114,851,151)</u>	270,889,390
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.		
		3,007,652
The District sold pension bonds to prepay a long-term unfunded liability for current expenditures, therefore, is not reported in the governmental funds		
		90,702,342
The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds		
		107,732
Net pension asset		
		58,109
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	\$ (621,133)	
Bonds payable (net of premium and discount)	(250,616,712)	
Certificates of participation payable	(\$4,799,266)	
Net OPEB obligation	(\$1,962,513)	
PERS Pension Bonds Payable	(101,600,000)	
Accrued compensated absences payable	<u>(404,361)</u>	
		<u>(360,003,985)</u>
<b>TOTAL NET ASSETS</b>		<b><u><u>\$ 53,062,112</u></u></b>

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, 2010**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 49,898,514	\$ -	\$ 26,004,066	\$ -	\$ 75,902,580
Charges for services	486,839	7,710,379	-	-	8,197,218
Earnings on investments	196,304	3,542	79,627	506,467	785,940
Other	1,233,386	-	5,513,313	230,652	6,977,351
Intermediate sources	2,740,377	80,702	-	-	2,821,079
State sources	97,607,621	1,318,523	-	2,125,574	101,051,718
Federal sources	963,902	19,156,987	-	-	20,120,889
<b>Total Revenues</b>	<u>153,126,944</u>	<u>28,270,132</u>	<u>31,597,006</u>	<u>2,862,694</u>	<u>215,856,776</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction	94,428,396	11,919,966	-	-	106,348,362
Support services	59,778,914	8,393,022	-	-	68,171,937
Enterprise and community services	313,589	7,943,299	-	-	8,256,888
Facilities & Acquisition					
Capital outlay	218,707	827,867	-	18,573,840	19,620,414
Debt service:					
Other	-	-	30,931	-	30,931
Principal	335,000	-	15,650,000	-	15,985,000
Interest	189,115	-	17,117,344	-	17,306,459
<b>Total Expenditures</b>	<u>155,263,721</u>	<u>29,084,154</u>	<u>32,798,275</u>	<u>18,573,840</u>	<u>235,719,991</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(2,136,777)	(814,022)	(1,201,269)	(15,711,146)	(19,863,215)
<b>OTHER FINANCING SOURCES, (USES)</b>					
Sale or Compensation for loss of fixed asset	11,602	-	-	-	11,602
<b>Total Other Financing Sources, (Uses)</b>	<u>11,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,602</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,125,175)	(814,022)	(1,201,269)	(15,711,146)	(19,851,613)
<b>FUND BALANCES,</b>					
July 1, 2009	20,041,578	3,833,276	5,880,421	39,421,641	69,176,916
Prior Period Adjustment	-	-	(1,024,431)	-	(1,024,431)
<b>FUND BALANCES,</b> June 30, 2010	<u>\$ 17,916,403</u>	<u>\$ 3,019,254</u>	<u>\$ 3,654,721</u>	<u>\$ 23,710,495</u>	<u>\$ 48,300,872</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, 2010**

<b>NET CHANGES IN FUND BALANCES</b>		<b>\$ (19,851,613)</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities most of the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures capitalized	\$ 23,510,115	
Depreciation	<u>(8,845,375)</u>	14,664,740
<p>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.</p>		
Amortization of issuance costs		(96,482)
Amortization of prepaid pension costs		(5,039,019)
<p>Governmental funds do not accrue interest payable, but it is accrued in the government-wide statements.</p>		
		64,183
<p>Change in net pension asset</p>		
		(17,321)
<p>Change in net OPEB obligation</p>		
		(1,026,076)
<p>Repayment of Principal on long-term debt and post retirement obligations is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. Additions to bond principal and post retirement obligations is an expense for the Statement of Net Assets but not the governmental funds.</p>		
		15,299,243
<p>Revenues that do not meet the measurable and available criteria are not recognized in the current year in the governmental funds. In the Statement of Activities revenues are recognized when earned.</p>		
		284,928
<p>Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities they are recognized as an expense when earned.</p>		
		43,066
		<hr/>
<b>CHANGE IN NET ASSETS</b>		<b><u>\$ 4,325,649</u></b>

The accompanying notes are an integral part of this statement.

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

**GENERAL FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 48,892,500	\$ 48,892,500	\$ 49,898,514	\$ 1,006,014
Charges for services	425,000	425,000	486,839	61,839
Earnings on investments	600,000	600,000	196,304	(403,696)
Other	725,000	725,000	1,233,386	508,386
Intermediate sources	2,700,000	2,750,000	2,740,377	(9,623)
State sources	92,342,332	94,899,164	97,607,621	2,708,457
Federal sources	7,500	7,500	963,902	956,402
<b>Total Revenues</b>	<u>145,692,332</u>	<u>148,299,164</u>	<u>153,126,944</u>	<u>4,827,779</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	96,234,526	98,173,780 (1)	94,428,396	3,745,384
Support services	57,802,846	58,398,427 (1)	59,997,621	(1,599,194)
Enterprise Funds	247,503	319,499 (1)	313,589	5,911
Debt Service	457,457	457,457 (1)	524,115	(66,658)
Contingency	2,500,000	2,500,000 (1)	-	2,500,000
<b>Total Expenditures</b>	<u>157,242,332</u>	<u>159,849,164</u>	<u>155,263,721</u>	<u>4,585,443</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	(11,550,000)	(11,550,000)	(2,136,777)	9,413,222
<b>OTHER FINANCING SOURCES, (USES)</b>				
Transfers from other Funds	-	-	-	-
Sale or Compensation for loss of fixed asset	50,000	50,000	11,602	(38,398)
<b>Total Other Financing Sources, (Uses)</b>	<u>50,000</u>	<u>50,000</u>	<u>11,602</u>	<u>(38,398)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(11,500,000)	(11,500,000)	(2,125,175)	9,374,825
<b>FUND BALANCES, July 1, 2009</b>	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,041,578</u>	<u>41,578</u>
<b>FUND BALANCES, June 30, 2010</b>	<u>\$ 8,500,000</u>	<u>\$ 8,500,000</u>	<u>\$ 17,916,403</u>	<u>\$ 9,416,403</u>

(1) Appropriation Level

The accompanying notes are an integral part of this statement.

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SPECIAL REVENUE FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
Local sources:				
Charges for services	\$ 6,227,015	\$ 6,227,015	\$ 7,710,379	\$ 1,483,364
Earnings on investments	18,794	18,794	3,542	(15,252)
Other	1,700,000	2,281,818	-	(2,281,818)
Intermediate sources	150,000	179,217	80,702	(98,515)
State sources	1,182,021	1,496,900	1,318,523	(178,377)
Federal sources	16,582,161	22,401,243	19,156,987	(3,244,255)
<b>Total Revenues</b>	<b>25,859,991</b>	<b>32,604,987</b>	<b>28,270,132</b>	<b>(4,334,855)</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	11,079,000	13,254,622 (1)	11,919,966	1,334,656
Support services	8,580,768	13,044,880 (1)	8,393,022	4,651,857
Enterprise and community services	8,411,871	8,733,440 (1)	7,943,299	790,140
Capital Outlay	-	241,328 (1)	827,867	(586,538)
<b>Total Expenditures</b>	<b>28,071,639</b>	<b>35,274,270</b>	<b>29,084,154</b>	<b>6,190,116</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,211,648)</b>	<b>(2,669,283)</b>	<b>(814,022)</b>	<b>1,855,261</b>
<b>FUND BALANCES, July 1, 2009</b>	<b>2,211,648</b>	<b>2,669,283</b>	<b>3,833,276</b>	<b>1,163,993</b>
<b>FUND BALANCES, June 30, 2010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,019,254</b>	<b>\$ 3,019,254</b>

(1) Appropriation Level

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF FIDUCIARY FUND NET ASSETS**

**JUNE 30, 2010**

	<b>Pension Trust Reserve Fund</b>	<b>PERS Fund</b>
<b>ASSETS:</b>		
Cash	<u>\$ 950,104</u>	<u>\$ 1,500,000</u>
<b>NET ASSETS:</b>		
Held in trust for post employment benefits	<u>\$ 950,104</u>	
Held in trust for increased PERS cost in 2010-11		<u>\$ 1,500,000</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b><u>Pension Trust Reserve Fund</u></b>	<b><u>PERS Fund</u></b>
<b>ADDITION:</b>		
Employer contributions	<u>\$ 200,000</u>	<u>\$ -</u>
<b>DEDUCTION:</b>		
Post employment benefits	<u>89,540</u>	<u>-</u>
<b>INCREASE/DECREASE IN NET ASSETS</b>	110,460	-
<b>NET ASSETS - July 1, 2009</b>	<u>839,644</u>	<u>1,500,000</u>
<b>NET ASSETS - June 30, 2010</b>	<u><u>\$ 950,104</u></u>	<u><u>\$ 1,500,000</u></u>

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

**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 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.

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. Component units representing City View Charter School are discretely presented. Oregon Revised Statutes also require that charter schools be reported as component units of the school districts 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.

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

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

**Basis of Presentation (Continued)**

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

YEAR ENDED JUNE 30, 2010

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

**Basis of Presentation (Continued)**

The District also reports the following fund type:

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

*PERS Reserve Fund* accounts for funds specifically designated to address future increases in the District's Public Employee Retirement System costs.

**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. Revenue from grants, entitlements, and donations is 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

YEAR ENDED JUNE 30, 2010

**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

YEAR ENDED JUNE 30, 2010

**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.

The District has determined that an allowance for uncollectible property taxes is not required.

**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.

**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 two years. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

**Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay, including related payroll taxes, is accrued when earned in the government-wide financial statements. The total payment for compensated absences due within one year is approximately \$404,361.

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.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

HILLSBORO SCHOOL DISTRICT IJ  
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

**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 budget amounts plus one appropriation resolution during the year. 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	Facilities/Construction
Support Services	Debt Service
Enterprise Funds	Operating Contingency

Expenditures of the various funds were within authorized appropriations except the General Fund, Support Services were over-expended by \$1,599,194, General Fund,

HILLSBORO SCHOOL DISTRICT IJ  
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

**Budgetary Information**

Debt Service were over-expended by \$66,658 and Special Revenue, Capital Outlay by \$586,538, and Debt Service Fund, Expenditures were over-expended by \$30,931

**Budget/GAAP Reporting Differences**

Financial position, results of operations, and changes in fund balance/net assets are reported 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 budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America with the exceptions that capital outlay expenditures are expensed when purchased and depreciation and amortization are not calculated, property taxes are recorded as revenue when received, and inventories of supplies are budgeted as expenditures when purchased and debt and OPEB liabilities are expensed as paid instead of when incurred.

**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, this 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, 2010, the bank balance of \$36,019,244 was either insured by the FDIC or covered by collateral. At June 30, 2010, the credit union balance totaled \$100,402, which was insured by the NCUA. No bank deposits were exposed to custodial credit risk because they were held at an approved depository as identified by the Oregon State Treasury.

**HILLSBORO SCHOOL DISTRICT IJ**  
Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2010

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

**Credit Risk**

Cash and investments are comprised of:

Cash on hand	\$	3,280
Deposits with financial institutions:		
Demand deposits		17,453,264
Money market		16,702,879
Certificates of Deposit		1,262,600
Investments (Banker's acceptance and LGIP)		21,407,480
Total	\$	<u><u>56,829,503</u></u>

Cash and investments are shown on the basic financial statements as:

Statement of Net Assets:		
Cash and investments	\$	54,379,399
Statement of Fiduciary Net Assets:		
Cash and investments		2,450,104
Total	\$	<u><u>56,829,503</u></u>

**Investments**

Policy is 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, 2010.

**HILLSBORO SCHOOL DISTRICT IJ**  
Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2010

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

**Investments**

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2010, the fair value of the position in the LGIP is 99.56 percent of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. 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, 2010, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
U.S. Government Agency FHLMC	1,373,670	1,373,670	-	-
U.S. Government Agency FNLB	4,241,829	4,241,829	-	-
State Treasurer's Investment Pool	15,791,981	15,791,981	-	-
Total	<u>\$ 21,407,480</u>	<u>\$ 21,407,480</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**

YEAR ENDED JUNE 30, 2010

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

**Investments**

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.

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, 2010, the District was in compliance with all percentage restrictions.

More than 5 percent of the District’s total investments are in securities by the following issuers:

<u>Issuer</u>	<u>Percentage of Total Investments</u>	<u>Policy Maximum Allowed</u>
U.S. Government Agency FCDN	0.00%	100%
U.S. Government Agency FFCB	0.00%	100%
U.S. Government Agency FHLB	0.00%	100%
U.S. Government Agency FHLMC	6.42%	100%
U.S. Government Agency FICO	0.00%	100%
U.S. Government Agency FNLB	19.81%	100%
U.S. Government Agency FMCDN	0.00%	100%
U.S. Government FNMA	0.00%	100%
State Treasurer’s Investment Pool	73.77%	100%

**HILLSBORO SCHOOL DISTRICT IJ**  
Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2010

**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 to be collectible.

Receivables are comprised of the following:

Property taxes	\$	3,417,233
Cash with County		700,581
Grants		4,039,916
Interest and other		66,453
Total	\$	8,224,183

**4. CAPITAL ASSETS**

Capital assets activity for the year was as follows:

Capital Assets Year Ended June 30, 2010	July 1, 2009	Adjustment	Increase	Retirements	June 30, 2010
Capital assets not being depreciated:					
Land	\$ 30,719,033	\$ -	\$ -	\$ -	\$ 30,719,033
CIP	40,161,144	(40,161,144)	-	-	-
Total capital assets not being depreciated	70,880,177	(40,161,144)	-	-	30,719,033
Capital assets being depreciated:					
Building and improvements	251,918,379	40,161,144	17,794,985	-	309,874,508
Original furniture and fixtures	24,198,556	-	1,163,979	-	25,362,535
Equipment	2,388,076	-	218,218	-	2,606,294
Motor vehicles	11,481,114	-	2,081,208	-	13,562,322
Information technology equipment	1,364,124	-	2,251,725	-	3,615,849
Total capital assets being depreciated	291,350,249	40,161,144	23,510,115	-	355,021,508
Less accumulated depreciation for:					
Building and improvements	(76,046,241)	-	(7,356,538)	-	(83,402,779)
Original furniture and fixtures	(19,366,264)	-	(365,690)	-	(19,731,954)
Equipment	(1,890,042)	-	(89,659)	-	(1,979,701)
Motor vehicles	(8,233,597)	-	(680,773)	-	(8,914,370)
Information technology equipment	(469,632)	-	(352,715)	-	(822,347)
Total accumulated depreciation	(106,005,776)	-	(8,845,375)	-	(114,851,151)
Total capital assets being depreciated, net	185,344,473	40,161,144	14,664,740	-	240,170,357
Total capital assets, net	\$ 256,224,650	\$ -	\$ 14,664,740	\$ -	\$ 270,889,390

The Hillsboro School District opened three new elementary schools for the fall of 2008. An additional elementary school and a middle school opened in the fall of 2009. The opening of these new schools in September 2009 marked the completion of the majority of the capital construction approved by voters as part of the 2006 bond issue.

**HILLSBORO SCHOOL DISTRICT IJ**  
Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2010

**4. CAPITAL ASSETS (Continued)**

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

<u>PROGRAM</u>	<u>DEPRECIATION</u>
Regular Programs	-
Special Programs	-
Business Services	7,995,553
Central Activities	711,580
Enterprise and Community Services	-
Food Service	138,242
Community Services	-
Total Depreciation	<u>\$ 8,845,375</u>

**5. COMPENSATED ABSENCES**

Activity for compensated absences, all of which are considered due within one year, for the year ended June 30, 2010 as follows:

Balance July 1, 2009	\$ 447,427
Additions	404,361
Payments	(447,427)
Balance June 30, 2010	<u>\$ 404,361</u>

**6. LONG-TERM DEBT**

Long-term debt is comprised of:

Bonds payable	\$ 250,616,712
Certificates of participation	4,799,266
Net OPEB Obligation	1,962,513
PERS Pension Bonds	101,600,000
Balance June 30, 2010	<u>\$ 358,978,490</u>
Due within one year	<u>\$ 18,273,005</u>
Due in more than one year	<u>\$ 340,705,485</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2010

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

**Bonds Payable**

Bonds payable transactions for the year are as follows:

Description	Original Issue	Outstanding July 1, 2009	Additions	Matured and Redeemed	Outstanding July 30, 2010	Due Within One Year
Hillsboro Elementary District No 7, issued April 1, 1993, interest at 2.7-5.1%	3,830,000	-	-	-	-	-
Reedville School District No. 20, issued February 1, 1991, August 1, 1993 and July 1, 1994, interest at 4.5-6.2%	4,675,000	775,000	-	380,000	395,000	395,000
Farmington View School District No. 58JT, issued November 1, 1986, interest at 5.5-6.6%	993,000	-	-	-	-	-
North Plains School District No. 70, issued July 1, 1992, interest at 5.7-6.1%	695,000	-	-	-	-	-
Hillsboro School District 1J, issued March 1, 1998, interest rate 4.0-5.0%	22,795,000	15,515,000	-	2,270,000	13,245,000	2,390,000
Hillsboro School District 1J, issued March 1999, partially refunded May 2005, interest rate 4.0-5.3%	37,300,000	-	-	-	-	-
Hillsboro School District 1J, issued February 6, 2001 and partially refunded May 2005, interest rate 3.8-5.1%	98,000,000	9,750,000	-	4,755,000	4,995,000	4,995,000
Hillsboro School District 1J refunding issue May 2005, interest 3.7-5.12%	78,055,000	74,585,000	-	2,675,000	71,910,000	3,135,000
Hillsboro School District 1J issued December 19, 2006, interest at 4.0-5.0%	168,996,712	164,911,712	-	4,840,000	160,071,712	5,590,000
Total	415,339,712	265,536,712	-	14,920,000	250,616,712	16,505,000
Unamortized Premium		38,886	-	38,886	-	-
Grand Total		265,497,826	-	14,958,886	250,616,712	16,505,000

**HILLSBORO SCHOOL DISTRICT IJ**  
Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2010

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

**Bonds Payable (Continued)**

Future maturities of bond principal and interest are as follows:

<u>Fiscal Year Ending June 30, 2010</u>	<u>Principal</u>	<u>Interest</u>
2010-11	16,505,000	11,607,983
2011-12	16,535,000	10,844,988
2012-13	17,815,000	10,078,850
2013-14	19,210,000	9,252,800
2014-15	20,235,000	8,342,850
2015-2020	83,830,000	27,555,800
2020-2025	64,445,000	9,105,250
2025-2028	12,041,712	16,623,288
TOTAL	<u>\$ 250,616,712</u>	<u>\$ 103,411,809</u>

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

**Other Long-Term Debt**

During the 2004-05 fiscal year, the District participated in pooled issuances of taxable pension obligation bonds to pay off a portion of the District's unfunded actuarial liability. The District issued \$102,850,000 in debt as part of a pooled issuance of \$458,620,000. Except for the payment of its pension bond payments and additional charges when due, each participating school district has no obligation or liability to any other participating school district's pension bonds or liabilities to PERS.

Bond proceeds were paid to the Public Employee Retirement System (PERS). An intercept agreement with the State or Oregon was required as a condition of issuance; therefore, a portion of State School Support is withheld on a monthly basis to repay debt.

**HILLSBORO SCHOOL DISTRICT IJ**  
Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2010

**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.

Description	Outstanding July 1, 2009	Increases	Decreases	Outstanding July 30, 2010	Due Within One Year
Certificate of Participation	\$ 4,640,000	\$ 954,971	\$ (628,242)	\$ 4,966,729	\$ 673,147
Unamortized Discount	(152,605)	-	(14,858)	(167,463)	14,858
Net COPs	<u>4,487,395</u>	<u>954,971</u>	<u>(643,100)</u>	<u>4,799,266</u>	<u>688,005</u>
PERS Pension Bonds	102,330,000	-	(730,000)	101,600,000	1,080,000
Grand Total	<u>\$ 106,817,395</u>	<u>\$ 954,971</u>	<u>\$ (1,373,100)</u>	<u>\$ 106,399,266</u>	<u>\$ 1,768,005</u>

Future maturities of principal are as follows:

Fiscal Year Ending June 30, 2009	Principal	Interest
2010-11	1,740,441	4,971,915
2011-12	2,148,147	4,913,244
2012-13	2,581,382	4,822,429
2013-14	2,705,000	4,712,217
2014-15	3,195,000	4,592,607
2015-2020	24,755,000	20,302,393
2020-2025	41,090,000	13,104,858
2025-2028	28,645,000	2,450,647
TOTAL	<u>\$ 106,859,970</u>	<u>\$ 59,870,310</u>

**7. INTERFUND TRANSFERS**

There were no Interfund Transfers made during the 2009-10 fiscal year.

HILLSBORO SCHOOL DISTRICT IJ  
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

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:

- ❖ Licensed employees must have retired prior to June 30, 2004, and were employed by the District, or one or more of the predecessor districts, continuously for the preceding 12 years or more and be eligible for PERS benefits. This program was completely phased out in June, 2008.
- ❖ 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.

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

The total expense for benefits to teachers and administrators retired under these programs was \$89,540. 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.

HILLSBORO SCHOOL DISTRICT IJ  
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

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 thirty years. The following table shows the components of the annual pension cost for the year ending June 30, 2010, the amount actually contributed to the plan, and changes in the net pension obligation:

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual required contribution	\$ 223,320	\$ 37,168	\$ 29,763
Interest on net OPEB	-	(1,862)	(3,017)
Adjustment to ARC for Net Pension Obligation	-	6,567	18,905
Annual pension cost (APC)	<u>223,320</u>	<u>41,873</u>	<u>45,651</u>
Expected Contributions	<u>(269,880)</u>	<u>(70,743)</u>	<u>(28,330)</u>
Increase (Decrease) in net pension obligation	(46,560)	(28,870)	17,321
Net Pension Obligation (Asset) at beginning of year	-	(46,560)	(75,430)
Net Pension Obligation (Asset) at end of year	<u>\$ (46,560)</u>	<u>\$ (75,430)</u>	<u>\$ (58,109)</u>
Percentage of APC Contributed	121%	190%	95%

Actuarial Methods and Assumptions:

The annual required contribution (ARC) for the current year was determined as part of the July 1, 2009, 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.

HILLSBORO SCHOOL DISTRICT IJ  
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

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, 2009, the actuarial accrued liability for benefits was \$100,684, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$100,684. The covered payroll is unavailable. The Annual Required Contribution (ARC) for June 30, 2010, was actuarially determined to be \$29,763.

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

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

**HILLSBORO SCHOOL DISTRICT IJ**  
Washington County, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2010

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

Annual OPEB Cost and Net OPEB Obligation:

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, 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 thirty years. The following table shows the components of the annual pension cost for the year ending June 30, 2010, the amount actually contributed to the plan, and changes in the net pension obligation:

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual required contribution	\$ 824,475	\$ 824,475	\$2,042,546
Interest on net OPEB	-	20,010	37,457
Adjustment to ARC for Net Pension Obligation	-	(17,261)	(32,323)
Annual pension cost (APC)	<u>824,475</u>	<u>827,224</u>	<u>2,047,690</u>
Expected Contributions	<u>(324,247)</u>	<u>(391,015)</u>	<u>1,021,614</u>
Increase (Decrease) in net pension obligation	500,228	436,209	1,026,076
Net Pension Obligation (Asset) at beginning of year	-	500,228	936,437
Net Pension Obligation (Asset) at end of year	<u><u>\$ 500,228</u></u>	<u><u>\$ 936,437</u></u>	<u><u>\$1,962,513</u></u>
Percentage of APC Contributed	39%	47%	-50%

Actuarial Methods and Assumptions:

The annual required contribution (ARC) for the current year was determined as part of the July 1, 2009, 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 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

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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

Funding Status and Funding Progress:

As of June 30, 2010, the actuarial accrued liability for benefits was \$18,504,189, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,504,189. The covered payroll is unavailable. The Annual Required Contribution (ARC) for June 30, 2010, was actuarially determined to be \$2,042,546.

**9. PENSION PLAN**

The District contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available 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, 2009, is 4.3 percent of salary covered under the plan for Tier 1 and Tier 2 employees and 4.82 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.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

**9. PENSION PLAN (Continued)**

The District's contributions to PERS for the years ended June 30, 2010, 2009, and 2008 were approximately \$10,948,782, \$15,334,833, and \$12,898,263, respectively, equal to the required contributions for each year.

**10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of, assets; errors and omissions; and natural disasters, for which the District carries commercial insurance. The District does not engage in risk financing activities where the risk is retained (self-insurance).

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

**11. COMMITMENTS AND CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although District management expects such amounts, if any, to be immaterial.

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 that are paid to individual school districts based on pupil counts and other factors in the State School Fund revenue formula. Since these projections and pupil counts fluctuate, they can cause the District to either have increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the District's operations cannot be determined.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

**12. PREPAID PENSION ASSET**

PERS UAL was prepaid with a lump sum payment of \$100,780,385 in a prior year. As of June 30, 2010, \$90,702,342 was reported as Prepaid PERS UAL, which is net of amortization.

**13. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made in the amount of \$1,024,431 to the Debt Service Fund to correct assets (cash with fiscal agent and prepaid expenses) that were overstated due to an understatement of expenditures in prior years.

**14. SUBSEQUENT EVENT**

In September 2010, the District entered into two lease agreements to purchase a total of 22 buses for future lease payments of \$2,072,306.

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HILLSBORO SCHOOL DISTRICT 1J  
Washington County, Oregon

REQUIRED SUPPLEMENTARY INFORMATION

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**HILLSBORO SCHOOL DISTRICT IJ**  
Washington County, Oregon

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

FOR THE YEAR ENDED JUNE 30, 2010

**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	N/A	N/A
6/30/2009	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2010	\$ -	\$100,684	\$100,684	N/A	N/A	N/A

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	N/A	N/A
2006	N/A	N/A
2007	N/A	N/A
2008	\$223,320	121%
2009	37,168	190
2010	29,763	95

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 BENEFITS**

**FOR THE YEAR ENDED JUNE 30, 2010**

**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	N/A	N/A
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	N/A	N/A

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$2,042,546	50%
2009	824,475	47
2008	824,475	39
2007	N/A	N/A
2006	N/A	N/A
2005	N/A	N/A

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

HILLSBORO SCHOOL DISTRICT 1J  
Washington County, Oregon

SUPPLEMENTARY INFORMATION

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

**DEBT SERVICE FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
Local sources:				
Taxes - current year's levy	\$ 25,575,470	\$ 25,575,470	\$ 25,556,753	(18,717)
Taxes- prior years' levies	382,000	382,000	447,313	65,313
Taxes- penalties and interest	26,500	26,500	12,287	(14,213)
Interest on investments	155,000	155,000	67,340	(87,660)
Miscellaneous	<u>4,034,774</u>	<u>4,034,774</u>	<u>5,513,313</u>	<u>1,478,539</u>
<b>Total local sources</b>	30,173,744	30,173,744	31,597,006	1,423,262
Federal sources:				
Other revenue in lieu of taxes	<u>3,600</u>	<u>3,600</u>	-	(3,600)
<b>Total federal sources</b>	<u>3,600</u>	<u>3,600</u>	-	<u>(3,600)</u>
<b>Total revenues</b>	<u>30,177,344</u>	<u>30,177,344</u>	<u>31,597,006</u>	<u>1,419,662</u>
<b>EXPENDITURES:</b>				
Other sources:				
Debt service:				
Principal	15,650,000	15,650,000	15,650,000	-
Other	-	-	30,931	(30,931)
Interest	<u>17,117,344</u>	<u>17,117,344</u>	<u>17,117,344</u>	-
<b>Total expenditures</b>	<u>32,767,344</u>	<u>32,767,344</u>	<u>32,798,275</u>	<u>(30,931)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,590,000)	(2,590,000)	(1,201,269)	1,388,731
<b>FUND BALANCE, July 1, 2009</b>	5,900,000	5,900,000	5,880,421	(19,579)
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	<u>(1,024,431)</u>	<u>(1,024,431)</u>
<b>FUND BALANCE, June 30, 2010</b>	<u>\$ 3,310,000</u>	<u>\$ 3,310,000</u>	<u>\$ 3,654,721</u>	<u>\$ 344,721</u>

(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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Local sources:				
Interest on investments	\$ 750,000	\$ 750,000	\$ 506,467	\$ (243,533)
Miscellaneous	-	1,881,727	230,652	(1,651,075)
	<u>750,000</u>	<u>2,631,727</u>	<u>737,120</u>	<u>737,120</u>
Intermediate sources:				
Other Intermediate Sources	\$ -	\$ -	\$ 2,125,574	\$ 2,125,574
	<u>-</u>	<u>-</u>	<u>2,125,574</u>	<u>2,125,574</u>
<b>Total revenues</b>	<u>750,000</u>	<u>2,631,727</u>	<u>3,762,694</u>	<u>3,762,694</u>
<b>EXPENDITURES:</b>				
Instructional Services				
High School Instruction:				
Supplies and materials	-	-	-	-
Facilities acquisition and construction				
Service area direction:				
Salaries and wages	320,000	320,000	332,836	(12,836)
Employee benefits	150,000	150,000	99,304	50,696
Purchased services	10,000	10,000	10,460	(460)
Supplies and materials	10,000	10,000	2,253	7,747
Building acquisition and construction				
Salaries and wages	-	-	16,357	(16,357)
Employee benefits	-	-	2,938	(2,938)
Purchased services	6,390,000	6,390,000	5,692,453	697,547
Supplies and materials	2,030,000	2,030,000	2,192,523	(162,523)
Capital outlay	36,340,000	38,221,727	9,814,757	26,525,243
Other	500,000	500,000	409,958	90,042
<b>Total facilities acquisition and constructio</b>	<u>45,750,000</u>	<u>47,631,727</u>	<u>(1) 19,473,840</u>	<u>27,176,160</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	<u>(45,000,000)</u>	<u>(45,000,000)</u>	<u>(15,711,146)</u>	<u>29,288,854</u>
<b>FUND BALANCE, July 1, 2009</b>	<u>45,000,000</u>	<u>45,000,000</u>	<u>39,421,641</u>	<u>(5,578,359)</u>
<b>FUND BALANCE, June 30, 2010</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,710,495</u>	<u>\$ 23,710,495</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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Local sources:				
Charges to other funds	\$ 600,000	\$ 600,000	\$ 200,000	\$ (400,000)
<b>EXPENDITURES:</b>				
Support services:				
Early retirement program:				
Salaries and wages	400,000	400,000 (1)	76,500	323,500
Employee benefits	50,000	50,000 (1)	13,040	36,960
Contingency	500,000	500,000 (1)	-	500,000
<b>Total expenditures</b>	<u>950,000</u>	<u>950,000</u>	<u>89,540</u>	<u>860,460</u>
<b>NET CHANGE IN FUND BALANCE</b>	(350,000)	(350,000)	110,460	(239,540)
<b>FUND BALANCE, July 1, 2009</b>	<u>350,000</u>	<u>350,000</u>	<u>839,644</u>	<u>1,189,644</u>
<b>FUND BALANCE, June 30, 2010</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 950,104</u>	<u>\$ 950,104</u>

(1) Appropriation Level

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF BONDED DEBT TRANSACTIONS**

**YEAR ENDED JUNE 30, 2010**

Issue Date	Outstanding		Outstanding		Interest	
	June 30, 2009	Matured and Redeemed	June 30, 2010	Interest Coupon Rates	Matured and Redeemed	
Reedville School District No. 29:						
August 1, 1993	\$ 775,000	\$ 380,000	\$ 395,000	4.5 to 5.2%	\$ 30,420.00	
Hillsboro School District 1J:						
March 1, 1998	15,515,000	2,270,000	13,245,000	4.0 to 5.0%	721,838	
February 1, 2001	9,750,000	4,755,000	4,995,000	3.8 to 5.1%	487,500	
May, 2005	74,585,000	2,675,000	71,910,000	3.0 to 5.1%	3,855,263	
November, 2006	164,911,712	4,840,000	160,071,712	4.0 to 5.0%	7,217,550	
	<u>\$ 265,536,712</u>	<u>\$ 14,920,000</u>	<u>\$ 250,616,712</u>		<u>\$ 12,312,570</u>	
PERS Pension Bonds						
June 21, 2005	<u>\$ 102,330,000</u>	<u>\$ 730,000</u>	<u>\$ 101,600,000</u>	3.7 to 4.8%	<u>\$ 4,804,774</u>	

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**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS**

**JUNE 30, 2010**

**PRINCIPAL**

<b>Hillsboro Elementary</b>				
<b>Fiscal Year</b>	<b>Total</b>	<b>April 1, 1993</b>	<b>August 1, 1993</b>	<b>July 1, 1994</b>
2010-2011	\$ 16,505,000	\$ -	\$ 395,000	\$ -
2011-2012	16,535,000	-	-	-
2012-2013	17,815,000	-	-	-
2013-2014	19,210,000	-	-	-
2014-2015	20,235,000	-	-	-
2015-2020	83,830,000	-	-	-
2020-2025	64,445,000	-	-	-
2025-2028	12,041,712	-	-	-
	<b>\$ 250,616,712</b>	<b>\$ -</b>	<b>\$ 395,000</b>	<b>\$ -</b>

**INTEREST**

<b>Fiscal</b>	<b>Total</b>	<b>April 1, 1993</b>	<b>August 1, 1993</b>	<b>July 1, 1994</b>
2010-2011	\$ 11,607,983	\$ -	\$ 10,270	\$ -
2011-2012	10,844,988	-	-	-
2012-2013	10,078,850	-	-	-
2013-2014	9,252,800	-	-	-
2014-2015	8,342,850	-	-	-
2015-2020	27,555,800	-	-	-
2020-2025	9,105,250	-	-	-
2025-2028	16,623,288	-	-	-
	<b>\$ 103,411,809</b>	<b>\$ -</b>	<b>\$ 10,270</b>	<b>\$ -</b>

**PRINCIPAL**

March 1, 1998	March 1, 1999	February 6, 2001	May 26, 2005	December 19, 2006
\$ 2,390,000	\$ -	\$ 4,995,000	\$ 3,135,000	\$ 5,590,000
2,515,000	-	-	7,890,000	6,130,000
2,640,000	-	-	8,480,000	6,695,000
2,780,000	-	-	9,160,000	7,270,000
2,920,000	-	-	9,565,000	7,750,000
-	-	-	33,680,000	50,150,000
-	-	-	-	64,445,000
-	-	-	-	12,041,712
<b>\$ 13,245,000</b>	<b>\$ -</b>	<b>\$ 4,995,000</b>	<b>\$ 71,910,000</b>	<b>\$ 160,071,712</b>

**INTEREST**

March 1, 1998	March 1, 1999	February 6, 2001	May 26, 2005	December 19, 2006
\$ 602,500	\$ -	\$ 249,750	\$ 3,721,513	\$ 7,023,950
479,875	-	-	3,564,763	6,800,350
351,000	-	-	3,170,263	6,557,588
215,500	-	-	2,746,263	6,291,038
73,000	-	-	2,269,238	6,000,613
-	-	-	3,627,750	23,928,050
-	-	-	-	9,105,250
-	-	-	-	16,623,288
<b>\$ 1,721,875</b>	<b>\$ -</b>	<b>\$ 249,750</b>	<b>\$ 19,099,788</b>	<b>\$ 82,330,126</b>

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

**SCHEDULE OF PROPERTY TAX TRANSACTIONS**

**YEAR ENDED JUNE 30, 2010**

	<u>Tax Year</u>	<u>Uncollected July 1, 2009</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>
<b><u>GENERAL FUND</u></b>				
Current	2009-10	\$ -	\$ 51,415,191	\$ (1,292,609)
Prior	2008-09	1,514,186		1,787
	2007-08	385,831	-	652
	2006-07	139,860	-	243
	2005-06	38,664	-	171
	2004-05	16,684	-	123
	2003-04 & Prior	25,365	-	71
Total prior		<u>2,120,590</u>	<u>-</u>	<u>3,047</u>
Total General Fund		<u><u>2,120,590</u></u>	<u><u>51,415,191</u></u>	<u><u>(1,289,562)</u></u>
<b><u>DEBT SERVICE FUND</u></b>				
Current	2009-10	-	26,848,351	(674,984)
Prior	2008-09	683,902	-	807
	2007-08	249,521	-	422
	2006-07	46,856	-	81
	2005-06	13,526	-	60
	2004-05	6,398	-	47
	2003-04 & Prior	9,505	-	27
Total prior		<u>1,009,707</u>	<u>-</u>	<u>1,444</u>
Total Debt Service Fund		<u>1,009,707</u>	<u>26,848,351</u>	<u>(673,540)</u>
<b>TOTAL ALL FUNDS</b>		<u><u>\$ 3,130,297</u></u>	<u><u>\$ 78,263,542</u></u>	<u><u>\$ (1,963,102)</u></u>

Interest	Adjustments	Collections	Uncollected June 30, 2010
\$ 18,330	\$ (162,463)	\$ (48,545,138)	\$ 1,433,311
60,981	(84,647)	(947,472)	544,836
31,935	(33,609)	(189,862)	194,946
23,436	(15,339)	(98,589)	49,610
8,573	(5,826)	(30,015)	11,568
1,843	(5,156)	(2,271)	11,224
2,219	(5,001)	(3,629)	19,025
<u>128,987</u>	<u>(149,578)</u>	<u>(1,271,838)</u>	<u>831,209</u>
<u>147,317</u>	<u>(312,041)</u>	<u>(49,816,976)</u>	<u>2,264,519</u>
<u>9,572</u>	<u>(84,836)</u>	<u>(25,349,646)</u>	<u>748,456</u>
27,543	(38,232)	(427,938)	246,082
20,652	(21,735)	(122,786)	126,074
7,851	(5,139)	(33,029)	16,620
2,999	(2,038)	(10,500)	4,047
707	(1,977)	(871)	4,304
832	(1,874)	(1,360)	7,129
<u>60,584</u>	<u>(70,995)</u>	<u>(596,484)</u>	<u>404,256</u>
<u>70,156</u>	<u>(155,831)</u>	<u>(25,946,131)</u>	<u>1,152,713</u>
<u>\$ 217,474</u>	<u>\$ (467,872)</u>	<u>\$ (75,763,107)</u>	<u>\$ 3,417,232</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 75,763,107
Accrued Prior Year	(285,333)
Accrued Current Year	359,822
Taxes in Lieu of Property Taxes	28,891
Penalties & Interest	36,093
Property Tax Revenue	<u>\$ 75,902,580</u>

Reported in:

General Fund	\$ 49,898,514
Debt Service Fund	26,004,066
	<u>\$ 75,902,580</u>

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

**SCHEDULE OF REVENUES**

**FOR THE YEAR ENDED JUNE 30, 2010**

	Fund 100	Fund 200
<b>REVENUES:</b>		
<b>Revenue from local sources:</b>		
1110 Ad Valorem taxes paid by District	\$ 49,898,514	\$ -
1114 Payments in Lieu of Property Taxes	-	-
1190 Penalties and Interest on taxes	23,806	-
1200 Revenue from Local Governments-CET	-	487,284
1310 Tuition	-	-
1330 Summer School Tuition	-	-
1400 Transportation Fees	79,462	-
1500 Earning on Investments	172,498	3,542
1600 Food Service	-	1,959,373
1700 Extracurricular Activities	407,377	3,769,207
1910 Rentals	273,337	-
1920 Contributions & Donations	-	1,209,131
1960 Recovery of Prior year	212,726	80,000
1970 Pension Bonds	-	-
1980 Fees charged to grants	326,208	-
1990 Miscellaneous	421,114	205,383
<b>Total Revenue from local sources</b>	<b>51,815,043</b>	<b>7,713,921</b>
<b>Revenue from intermediate sources:</b>		
2101 County School Funds	370,360	-
2103 ESD	1,059,517	-
2180 Strategic Investment program-unrestricted	1,310,500	-
2199 Other Intermediate Sources	-	-
2200 Restricted Revenue	-	80,702
<b>Total Revenue from Intermediate Sources</b>	<b>2,740,377</b>	<b>80,702</b>
<b>Revenue from state sources:</b>		
3101 State school fund - general support	89,722,795	-
3102 State school fund - school lunch match	-	83,349
3103 Common School fund	1,711,146	-
3104 State managed county timber	802,543	-
3105 State school fund - transportation grant	5,371,136	-
3199 Other restricted grants-in-aid	-	-
3204 Driver education	-	-
3222 State school fund transportation equipment	-	709,092
3299 Other restricted grants-in-aid	-	526,082
<b>Total Revenue from state sources</b>	<b>97,607,621</b>	<b>1,318,523</b>
<b>Revenue from federal sources:</b>		
4299 Unrestricted Revenue from federal government through State	963,902	-
4300 Restricted Revenue from federal government	-	959,600
4500 Restricted Revenue from federal government through the state	-	15,824,335
4700 Restricted Revenue from federal government through intermediate sources	-	1,939,190
4899 Other revenue in lieu of taxes	-	-
4900 Revenue for/on behalf of the District	-	433,862
<b>Total Revenue from federal sources</b>	<b>963,902</b>	<b>19,156,987</b>
<b>Revenue from other sources:</b>		
5100 Bond Proceeds	-	-
5110 Bond Premium	-	-
5200 Interfund transfers	-	-
5300 Sale or compensation for loss of fixed assets	11,602	-
5400 Resources - beginning fund balance	20,041,578	3,833,276
<b>Total Revenue from other sources</b>	<b>20,053,180</b>	<b>3,833,276</b>
<b>TOTAL REVENUES</b>	<b>\$ 173,180,124</b>	<b>\$ 32,103,408</b>

Fund 300	Fund 400	Fund 600	Fund 700	Total
\$ 26,004,066	\$ -	\$ -	\$ -	\$ 75,902,580
-	-	-	-	-
12,287	-	-	-	36,093
-	-	-	-	487,284
-	-	-	-	-
-	-	-	-	-
-	-	-	-	79,462
67,340	506,467	-	-	749,847
-	-	-	-	1,959,373
-	-	-	-	4,176,584
-	-	-	-	273,337
-	-	-	-	1,209,131
-	-	-	-	292,726
5,513,313	-	-	-	5,513,313
-	-	-	-	326,208
-	230,652	-	200,000	1,057,150
<u>31,597,006</u>	<u>737,120</u>	<u>-</u>	<u>200,000</u>	<u>92,063,090</u>
-	-	-	-	370,360
-	-	-	-	1,059,517
-	-	-	-	1,310,500
-	-	-	-	-
-	-	-	-	80,702
-	-	-	-	<u>2,821,079</u>
-	-	-	-	89,722,795
-	-	-	-	83,349
-	-	-	-	1,711,146
-	-	-	-	802,543
-	-	-	-	5,371,136
-	-	-	-	-
-	-	-	-	-
-	-	-	-	709,092
-	2,125,574	-	-	2,651,656
-	<u>2,125,574</u>	<u>-</u>	<u>-</u>	<u>101,051,718</u>
-	-	-	-	963,902
-	-	-	-	959,600
-	-	-	-	15,824,335
-	-	-	-	-
-	-	-	-	1,939,190
-	-	-	-	-
-	-	-	-	-
-	-	-	-	433,862
-	-	-	-	<u>20,120,889</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	11,602
<u>5,880,421</u>	<u>39,421,641</u>	<u>1,500,000</u>	<u>839,644</u>	<u>71,516,560</u>
<u>5,880,421</u>	<u>39,421,641</u>	<u>1,500,000</u>	<u>839,644</u>	<u>71,528,162</u>
<u><b>\$ 37,477,427</b></u>	<u><b>\$ 42,284,335</b></u>	<u><b>\$ 1,500,000</b></u>	<u><b>\$ 1,039,644</b></u>	<u><b>\$ 287,584,938</b></u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF GENERAL FUND EXPENDITURES****FOR THE YEAR ENDED JUNE 30, 2010**

	Object 100	Object 200	Object 300
<b>EXPENDITURES:</b>			
Instruction:			
1111 Primary programs	\$ 15,045,173	\$ 6,124,396	\$ 179,609
1112 Intermediate programs	9,771,925	3,939,683	123,277
1113 Elementary extracurricular	3,785	931	-
1121 Middle School programs	6,439,054	2,635,468	44,441
1122 Middle School extracurricular	56,002	11,314	104
1131 High School programs	13,044,235	5,289,123	117,417
1132 High School extracurricular	1,709,737	430,424	271,680
1210 Talented and Gifted	143,053	41,748	41,397
1220 Students with disabilities-restricted	4,386,886	2,389,390	318,289
1250 Students with disabilities - less restricted	7,239,608	3,740,551	10,690
1271 Remediation	-	-	-
1272 Title 1	8,293	1,066	-
1280 Alternative Education	864,370	353,555	209,110
1288 Charter Schools	-	-	794,089
1290 Designated Programs	-	-	-
1291 English Second Language program	4,350,978	2,080,246	68,111
1292 Teen Parent program	232,642	125,497	184
1293 Migrant Education	-	-	-
1294 Youth corrections program	51,987	20,616	-
1400 Summer school programs	-	-	-
<b>Total Instruction</b>	<b>63,347,728</b>	<b>27,184,008</b>	<b>2,178,396</b>
Support services:			
2110 Attendance and social work services	610,903	362,913	476,278
2120 Guidance Services	3,297,430	1,297,296	116,056
2130 Health Services	576,103	293,811	7,733
2140 Psychological services	319,527	122,240	103,084
2150 Speech pathology services	1,172,293	451,303	4,103
2160 Other student treatment services	-	-	77,358
2190 Service direction, student special education	5,036	828	33,987
2210 Improvement of Instructional services	59,718	11,418	24,586
2220 Educational media services	919,628	552,089	9,240
2230 Assessment and testing	14,299	2,548	44,889
2240 Instructional staff development	341,757	60,896	120,590
2310 Board of Education services	63,244	11,588	77,553
2320 Executive administration services	667,920	207,226	52,239
2410 Office of the principal services	7,814,036	3,200,002	174,162
2490 Other support services school administration	756,247	274,483	94,904
2510 Direction of business support services	515,185	196,995	104,876
2520 Fiscal services	504,163	257,936	42,192
2540 Operation and maintenance of plant	2,827,786	1,259,650	9,813,620
2550 Student transportation services	5,580,218	3,308,343	222,906
2570 Internal services	259,563	120,328	42,429
2610 Direction of Central Support Services	-	-	17
2620 Planning, research, and development	-	-	-
2630 Information/production services	200,822	76,296	48,625
2640 Staff services	491,927	663,104	61,184
2660 Technology services	1,658,346	615,556	1,012,838
2670 Records management services	-	-	8,534
2700 Supplemental retirement services	-	200,000	-
<b>Total Support Services</b>	<b>28,656,150</b>	<b>13,546,851</b>	<b>12,773,984</b>
<b>Enterprise Services</b>			
3120 Food Services	-	-	-
3300 Other Community Services	198,228	90,261	18,904
<b>Total Community Services</b>	<b>198,228</b>	<b>90,261</b>	<b>18,904</b>
<b>Debt service</b>			
5110 Long Term Debt Service	-	-	-
<b>Total Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 92,202,106</b>	<b>\$ 40,821,121</b>	<b>\$ 14,971,284</b>

Object 400	Object 500	Object 600	Total
\$ 612,056	\$ -	\$ -	\$ 21,961,235
226,680	-	-	14,061,565
24	-	-	5,013
112,486	-	273	9,231,448
98	-	-	67,855
225,824	-	337	18,746,488
78,624	-	69,888	2,490,664
42,771	-	200	304,985
87,256	-	36,016	7,182,103
52,499	-	283	11,043,348
1,108	-	-	1,108
-	-	-	13,783
122,500	-	4,424	1,549,534
-	-	-	794,089
92	-	-	92
44,075	-	-	6,543,409
607	-	-	358,929
-	-	-	-
145	-	-	72,748
-	-	-	-
<u>1,606,844</u>	<u>-</u>	<u>111,421</u>	<u>94,428,396</u>
12,742	16,157	-	1,478,994
13,616	-	115	4,724,512
8,189	-	-	885,837
8,578	-	-	553,430
18,940	-	1,995	1,648,633
3,061	-	-	80,419
24,089	-	173	64,112
25,783	-	9,167	130,672
116,290	-	2,031	1,599,278
17,337	-	(3,404)	75,668
33,073	-	328	556,643
7,055	-	24,636	184,077
18,265	-	2,530	948,180
181,167	-	6,358	11,375,725
136,190	-	9,275	1,271,098
11,300	-	11,378	839,733
9,286	-	5,852	819,430
796,743	-	814,392	15,512,191
1,125,089	58,015	103,594	10,398,164
143,450	-	50	565,820
-	-	-	17
-	-	-	-
12,087	-	-	337,830
15,702	-	1,483	1,233,401
1,057,325	144,535	2,784	4,491,384
13,839	-	-	22,373
-	-	-	200,000
<u>3,809,196</u>	<u>218,707</u>	<u>992,734</u>	<u>59,997,621</u>
-	-	-	-
6,195	-	-	313,589
<u>6,195</u>	<u>-</u>	<u>-</u>	<u>313,589</u>
-	-	524,115	524,115
-	-	524,115	524,115
<u>\$ 5,422,235</u>	<u>\$ 218,707</u>	<u>\$ 1,628,270</u>	<u>\$ 155,263,721</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES****FOR THE YEAR ENDED JUNE 30, 2010**

		100	200	300
<b>EXPENDITURES:</b>				
<b>Instruction:</b>				
1111	Primary programs	\$ 130,668	\$ 45,051	\$ 3,905
1112	Intermediate programs	1,561	240	2,292
1113	Elementary extracurricular	27,853	6,879	9,150
1121	Middle school programs	-	-	356
1122	Middle school extracurricular	1,617	338	867
1131	High school programs	122,273	39,340	54,717
1132	High school extracurricular	4,156	598	94
1140	Pre-kindergarten programs	-	-	-
1210	Talented and gifted program	509	823	-
1220	Students with disabilities - restrictive programs	1,437,925	554,393	41,180
1250	Students with disabilities - less restrictive programs	178,945	128,356	4
1260	Early intervention	21,337	7,642	-
1271	Remediation	2,262	411	-
1272	Title I	1,674,346	831,579	3,290
1279	Title I - Private School	-	-	32,324
1280	Alternative education	572,429	150,379	922,513
1288	Charter Schools	-	-	50,850
1290	Designated Programs	-	-	-
1291	English second language programs	4,849	756	-
1292	Teen parent program	34,032	26,956	-
1293	Migrant education	-	-	-
1294	Youth Corrections Programs	270,096	36,549	7,061
1400	Summer school programs	51,410	8,704	1,230
<b>Total instruction</b>		<b>4,536,268</b>	<b>1,838,994</b>	<b>1,129,832</b>
<b>Support services:</b>				
2110	Attendance and social work services	322,932	128,319	261,816
2120	Guidance services	3,500	-	33,693
2130	Health services	-	-	600
2140	Psychological services	510,531	216,804	84,981
2150	Speech pathology and audiology services	182,915	85,247	-
2160	Student Treatment Center	205,184	83,355	27,092
2190	Service direction, student special education	363,840	147,927	32,799
2210	Improvement of instruction services	265,288	70,833	377,659
2220	Media services	-	-	-
2230	Assessment and Testing	-	-	-
2240	Instructional Staff Development	1,301,093	300,757	610,032
2310	Board of Education Services	-	-	-
2320	Executive administration services	105,495	27,168	11,276
2410	Office of the principal services	1,506	285	5,388
2490	Other support services school administration	135,834	47,677	6,709
2510	Direction of business support services	-	-	-
2520	Fiscal Services	8,404	3,019	-
2540	Operation and maintenance of plant	5,449	577	24,454
2550	Student transportation services	-	-	105,667
2570	Internal Services	-	-	-
2610	Direction of central support services	598,590	205,604	3,064
2620	Planning, research and development services	7,076	1,137	57,287
2630	Information/production services	13,483	4,818	3,750
2640	Recruitment and Placement	-	-	-
2660	Technology services	4,739	816	74,926
2670	Records management services	-	-	-
2700	Supplemental retirement services	-	-	-
<b>Total support services</b>		<b>4,035,860</b>	<b>1,324,342</b>	<b>1,721,192</b>
<b>Enterprise and community services:</b>				
3100	Food services	2,371,469	1,070,205	423,075
3300	Community services	38,860	8,495	106,853
<b>Total support services</b>		<b>2,410,328</b>	<b>1,078,701</b>	<b>529,927</b>
<b>Capital Projects</b>				
4150	Building Acquisition, Construction and Improvements	-	-	24,275
<b>Total Capital Projects</b>		<b>-</b>	<b>-</b>	<b>24,275</b>
<b>TOTAL EXPENDITURES</b>		<b>\$ 10,982,457</b>	<b>\$ 4,242,036</b>	<b>\$ 3,405,226</b>

	400	500	600	Total
\$	109,743	\$ -	\$ -	\$ 289,367
	54,376	-	281	58,749
	386,925	-	-	430,807
	1,269	-	-	1,625
	275,633	-	-	278,455
	124,556	-	7,777	348,663
	3,024,127	-	3,001	3,031,975
	-	-	-	-
	-	-	-	1,333
	31,143	-	19,998	2,084,638
	552	-	-	307,857
	188	-	-	29,166
	-	-	-	2,673
	34,471	-	111,974	2,655,661
	10,928	-	1,643	44,894
	101,551	-	42,199	1,789,072
	-	-	-	50,850
	1,979	-	-	1,979
	6,067	-	-	11,672
	1,269	-	177	62,434
	-	-	-	-
	25,053	-	33,933	372,691
	4,061	-	-	65,404
	<u>4,193,890</u>	<u>-</u>	<u>220,983</u>	<u>11,919,966</u>
	25,471	-	9,296	747,834
	502	-	-	37,695
	397	-	-	997
	(39)	-	-	812,278
	-	-	-	268,162
	2,973	-	7,029	325,633
	5,805	-	-	550,370
	41,617	-	8,102	763,500
	13,643	-	-	13,643
	-	-	-	-
	330,963	-	90,106	2,632,951
	-	-	-	-
	6,840	-	4,876	155,655
	30,154	-	-	37,334
	23,005	-	-	213,225
	2,918	-	-	2,918
	-	-	-	11,423
	26,742	-	-	57,222
	-	494,620	-	600,288
	-	-	-	-
	10,691	-	11,749	829,698
	43	-	-	65,543
	149	-	-	22,200
	-	-	-	-
	162,205	-	1,770	244,455
	-	-	-	-
	-	-	-	-
	<u>684,079</u>	<u>494,620</u>	<u>132,928</u>	<u>8,393,022</u>
	3,839,568	50,531	1,191	7,756,039
	32,986	-	67	187,260
	<u>3,872,554</u>	<u>50,531</u>	<u>1,258</u>	<u>7,943,299</u>
	7,141	796,451	-	827,867
	<u>7,141</u>	<u>796,451</u>	<u>-</u>	<u>827,867</u>
\$	<u>8,757,664</u>	<u>\$ 1,341,602</u>	<u>\$ 355,169</u>	<u>\$ 29,084,154</u>

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**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF DEBT SERVICE FUND EXPENDITURES**

**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Object</u>	<u>Object</u>	<u>Object</u>	<u>Object</u>	<u>Object</u>	<u>Object</u>	<u>TOTAL</u>
	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>600</u>	
<b>EXPENDITURES:</b>							
Other uses:							
5100 Debt service	\$ -	\$ -	\$ 30,931	\$ -	\$ -	\$ 32,767,344	\$ 32,798,275

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES**

**FOR THE YEAR ENDED JUNE 30, 2010**

	Object 100	Object 200	Object 300
<b>EXPENDITURES:</b>			
Facilities acquisition and construction expenditures:			
1121 Intermediate Programs	\$ -	\$ -	\$ -
1131 Secondary Programs	-	-	-
2660 Technology	-	-	-
4110 Service area direction	332,836	99,304	10,460
4120 Site Acquis & Dev Systems	-	-	-
4150 Building acquisition, construction, and improvement services	16,357	2,938	5,692,453
4190 Other facilities construction services - -	-	-	-
5200 Transfer of Funds	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 349,194</b>	<b>\$ 102,242</b>	<b>\$ 5,702,913</b>

Object 400	Object 500	Object 600	Object 700	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
2,253	-	-	-	444,854
-	-	-	-	-
2,192,523	9,814,757	409,958	-	18,128,987
-	-	-	-	-
-	-	-	-	-
<u>\$ 2,194,776</u>	<u>\$ 9,814,757</u>	<u>\$ 409,958</u>	<u>\$ -</u>	<u>\$ 18,573,840</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF FIDUCIARY FUND EXPENDITURES**

**FOR THE YEAR ENDED JUNE 30, 2010**

	Object 100	Object 200	TOTALS
<b>EXPENDITURES:</b>			
Support services:			
2700 Supplemental retirement program	\$ 76,500	\$ 13,040	\$ 89,540

SUPPLEMENTAL INFORMATION, 2009-2010

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	\$ 3,499,304
Function 2550	\$ 20,683

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

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

Exclude these functions:

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

Exclude these functions:

- 4150 Construction
- 2550 Pupil Transportation
- 3100 Food Service
- 3300 Community Services

\$	-
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**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**STATISTICAL SECTION TABLE OF CONTENTS**

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	69
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	77
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	83
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	87
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	89

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 Nine Fiscal Years**

**2001-02 Through 2009-10**

(accrual basis of accounting)

	2009-10*	2008-09*	2007-08*	2006-07*
Governmental activities:				
Invested in capital assets, net of related debt	\$ 44,713,254	\$ 36,339,608	\$ 48,427,208	\$ (97,336,636)
Restricted for Debt Service	3,654,721	5,880,421	10,827,545	6,573,042
Restricted for Capital Projects	23,710,495	39,421,641	101,584,454	177,928,489
Unrestricted	(19,016,357)	(31,880,776)	(103,343,000)	24,783,019
Total primary government net assets	<u>\$ 53,062,112</u>	<u>\$ 49,760,894</u>	<u>\$ 57,496,207</u>	<u>\$ 111,947,914</u>

\* The district began to report accrual information when it implemented GASB Statement 34 in 2001-2002.

Source: Hillsboro School District 1J financial records.

2005-06*	2004-05*	2003-04*	2002-03*	2001-02*
\$ 52,183,443	\$ 48,174,979	\$ 57,423,759	\$ 62,159,150	\$ 55,808,215
6,745,522	7,003,798	6,477,663	7,040,368	6,242,523
8,357,714	-	-	-	-
<u>23,006,941</u>	<u>32,384,733</u>	<u>22,273,298</u>	<u>7,109,290</u>	<u>11,104,701</u>
<u>\$ 90,293,620</u>	<u>\$ 87,563,510</u>	<u>\$ 86,174,720</u>	<u>\$ 76,308,808</u>	<u>\$ 73,155,439</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**CHANGES IN NET ASSETS****Last Nine Fiscal Years****2001-02 Through 2009-10**

(accrual basis of accounting)

	2009-10	2008-09	2007-08	2006-07
Governmental activities:				
<b>Expenses</b>				
Instruction	\$ 113,083,611	\$ 122,478,716	110,225,767	\$ 93,429,518
Support Services	72,721,956	86,269,378	77,354,276	63,574,639
Enterprise and Community Services	8,779,813	9,457,828	9,169,942	7,378,732
Facilities acquisition and construction	-	-	65,870,014	832,064
Interest on Long-Term Debt	17,242,277	17,905,207	22,257,859	11,593,839
Total Expenditures	211,827,656	236,111,129	284,877,858	176,808,792
<b>Program Revenues</b>				
Charges for Services:				
Instruction	4,256,047	4,021,721	6,390,034	1,070,606
Support Services	273,337	168,919	178,773	232,335
Enterprise and Community Services	1,959,373	2,041,711	2,338,045	2,355,750
Operating Grants and Contributions:				
Instruction	12,519,540	12,342,037	8,577,163	8,795,634
Support Services	1,131,494	2,379,115	3,516,952	3,036,287
Enterprise and Community Services	6,469,855	5,267,264	5,549,384	4,334,791
Capital Grants and Contributions:				
Instruction	-	-	-	-
Support Services	-	-	109,820	527,800
Enterprise and Community Services	80,702	71,062	95,570	-
Total Program Revenues	26,690,348	26,291,829	26,755,741	20,353,203
<b>Net (Expenditures)</b>	(185,137,309)	(209,819,300)	(258,122,117)	(156,455,589)
<b>General Revenues</b>				
Taxes:				
Property Taxes, Levied for General Purposes	50,085,826	48,193,154	46,040,548	43,741,370
Property Taxes, Levied for Debt Service	26,101,682	21,845,630	29,560,363	14,668,594
State School Fund - General Support	101,051,718	101,756,724	104,687,241	86,828,447
Unrestricted state and local sources	-	-	-	-
Earnings on Investments	785,940	3,312,204	9,340,104	8,194,851
Miscellaneous	11,437,792	12,067,166	7,597,249	24,676,621
Total General Revenues	189,462,958	187,174,878	197,225,505	178,109,883
<b>Change in Net Assets</b>	\$ 4,325,649	\$ (22,644,422)	\$ (60,896,612)	\$ 21,654,294

2005-06	2004-05	2003-04	2002-03	2001-02
\$ 90,626,555	\$ 86,376,150	\$ 77,641,128	\$ 75,511,577	\$ 80,370,299
57,239,269	55,864,621	48,175,450	48,605,835	54,608,786
9,903,601	6,284,320	5,300,463	4,380,766	4,387,720
-	-	-	36,082	-
11,798,269	3,720,541	7,701,343	8,067,120	9,450,508
169,567,694	152,245,632	138,818,384	136,601,380	148,817,313
2,126,428	4,143,996	3,093,549	2,835,269	3,428,885
1,858,211	430,408	678,092	767,939	563,477
2,177,939	3,700,700	2,052,807	1,830,026	1,938,031
4,241,207	7,378,878	8,061,968	4,236,906	7,133,013
3,725,767	4,715,506	9,647,884	7,359,007	7,291,436
4,298,360	3,447,404	3,065,297	2,681,706	2,602,220
-	-	-	-	-
404,634	348,305	365,000	341,855	291,482
-	-	-	-	-
18,832,546	24,165,197	26,964,597	20,052,708	23,248,544
(150,735,148)	(128,080,435)	(111,853,787)	(116,548,672)	(125,568,769)
42,262,685	40,522,887	39,118,206	38,971,982	36,377,811
14,812,597	15,542,605	14,654,964	15,609,618	17,285,615
83,972,807	63,991,989	72,273,902	56,101,333	64,412,360
-	-	-	4,210,110	3,347,333
2,653,853	1,446,575	760,116	1,542,526	4,358,468
9,763,319	7,965,169	3,569,787	3,266,472	642,951
153,465,261	129,469,225	130,376,975	119,702,041	126,424,538
\$ 2,730,113	\$ 1,388,790	\$ 18,523,188	\$ 3,153,369	\$ 855,769

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**FUND BALANCES OF GOVERNMENTAL FUNDS**

**Last Ten Fiscal Years**

**2001 - 2010**

(modified accrual basis of accounting)

	Fiscal years 2006-2010				
	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Fund Balances					
Reserved, Reported in:					
General Fund	\$ 364,700	\$ 383,482	\$ 666,715	\$ 219,748	\$ 245,271
Special Revenue Funds	499,389	235,323	218,447	170,099	182,812
Debt Service Fund	3,654,721	5,880,421	10,827,545	6,573,042	7,874,004
Capital Projects Funds	23,710,495	39,421,641	101,584,454	177,928,489	8,357,714
Unreserved, Reported in:					
General Fund	17,551,703	19,658,096	22,973,345	19,668,582	20,187,310
Special Revenue Funds	2,519,865	3,597,953	3,435,749	3,672,104	2,098,654
Debt Service Fund	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Internal Services Fund	-	-	-	-	-
Trust & Agency Fund	-	-	-	-	-
Total Fund Balances	<u>\$ 48,300,872</u>	<u>\$ 69,176,916</u>	<u>\$ 139,706,255</u>	<u>\$ 208,232,064</u>	<u>\$ 38,945,765</u>

Fiscal Years 2001-05

<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>
\$ 238,850	\$ 201,031	\$ 212,532	\$ 380,954	\$ 296,001
882,780	835,817	819,653	849,730	135,095
9,073,416	6,477,663	7,040,368	-	4,660,758
13,204,310	17,772,597	26,585,671	-	-
14,730,521	17,499,555	2,524,759	5,922,064	13,097,240
2,454,476	2,087,512	1,859,373	1,832,311	3,738,264
-	-	-	6,654,606	-
-	-	-	57,237,750	99,882,168
-	-	-	-	-
-	-	-	-	-
<u>\$ 40,584,353</u>	<u>\$ 44,874,175</u>	<u>\$ 39,042,356</u>	<u>\$ 72,877,415</u>	<u>\$ 121,809,526</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS****LAST TEN FISCAL YEARS****2001 - 2010**

(modified accrual basis of accounting)

	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Revenues				
Property Taxes	\$ 75,902,580	\$ 69,425,118	\$ 74,970,634	\$ 58,274,830
Charges for services	8,197,218	8,265,066	7,009,678	3,765,885
Earnings on investments	785,940	3,229,021	9,340,104	8,194,851
Other	6,977,351	6,944,129	6,726,267	1,375,754
Intermediate Sources	2,821,079	1,742,355	3,286,708	3,812,017
State School Support	101,051,718	103,156,724	104,687,241	86,835,628
Federal	20,120,889	20,087,018	17,327,027	15,821,511
Other sources	-	-	-	186,703,215
Total Revenues	<u>215,856,776</u>	<u>212,849,431</u>	<u>223,347,659</u>	<u>364,783,691</u>
Expenditures				
Current Operating				
Instruction	106,348,362	103,425,714	99,258,155	90,028,311
Support Services	68,171,937	72,746,276	69,657,422	61,260,272
Enterprise and Community Services	8,256,888	8,046,600	8,257,520	7,110,119
Facilities Acquisition & Construction	-	-	-	-
Capital Outlay	19,620,414	66,650,915	83,737,559	15,556,452
Debt Service				
Principal	15,985,000	14,530,000	9,370,000	10,020,821
Other	30,931	30,931	30,931	38,196
Payment to PERS	-	-	-	-
Interest	17,306,459	17,951,944	22,040,454	11,483,228
Total Expenditures	<u>235,719,991</u>	<u>283,382,380</u>	<u>292,352,041</u>	<u>195,497,399</u>
	(19,863,215)	(70,532,949)	(69,004,382)	169,286,292
Other Financing Sources (Uses)				
Bond Proceeds	-	-	39,068	-
Sale or Compensation for loss of Fixed Asset	11,602	3,610	94,242	-
Operating Transfer In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total other financing sources (uses)	<u>11,602</u>	<u>3,610</u>	<u>133,310</u>	<u>-</u>
Net change in fund balances	<u>\$ (19,851,613)</u>	<u>\$ (70,529,339)</u>	<u>\$ (68,871,072)</u>	<u>\$ 169,286,292</u>
Debt services as a percentage of noncapital expenditures	15.4%	15.0%	15.1%	12.0%

	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>
\$	57,183,332	\$ 56,412,322	\$ 53,824,620	\$ 54,504,023	\$ 53,385,120	\$ 40,010,958
	4,778,380	6,307,762	5,824,448	6,591,189	5,834,985	-
	2,653,850	1,446,575	760,116	1,542,526	4,358,468	-
	1,605,890	3,061,354	1,030,150	2,344,141	915,668	7,956,213
	4,296,352	3,749,953	3,516,570	2,573,735	1,838,914	2,201,857
	83,968,676	71,857,440	81,462,389	63,608,223	75,191,397	77,878,609
	13,690,511	10,869,443	10,855,286	8,347,115	7,703,247	6,644,942
	4,560,607	103,126,403	54,668	166,224	166,977	
	<u>172,737,598</u>	<u>256,831,252</u>	<u>157,328,247</u>	<u>139,677,176</u>	<u>149,394,776</u>	<u>134,692,579</u>
	87,151,646	81,088,557	74,367,389	73,244,826	78,269,095	69,530,948
	55,044,467	52,451,074	46,467,506	46,761,142	52,846,551	49,313,496
	6,294,588	5,900,323	5,075,963	4,249,262	4,273,007	4,002,641
	1,680,430	567,389	4,430,025	3,074,184	5,440,942	-
	3,025,190	4,349,203	5,265,037	30,258,195	42,189,507	13,810,929
	9,168,251	10,196,483	8,066,526	7,686,108	6,030,606	4,150,285
	-	-	-	-	-	-
	-	100,780,385	0	0	-	-
	12,011,614	5,737,725	7,873,920	8,238,518	9,819,855	4,087,682
	<u>174,376,186</u>	<u>261,071,139</u>	<u>151,546,366</u>	<u>173,512,235</u>	<u>198,869,563</u>	<u>144,895,981</u>
	(1,638,588)	(4,239,887)	5,781,881	(33,835,059)	(49,474,787)	(10,203,402)
	-	-	-	-	-	98,447,494
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	98,447,494
\$	<u>(1,638,588)</u>	<u>\$ (4,239,887)</u>	<u>\$ 5,781,881</u>	<u>\$ (33,835,059)</u>	<u>\$ (49,474,787)</u>	<u>\$ 88,244,092</u>

12.4%                      45.5%                      10.9%                      11.1%                      10.1%                      6.3%

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

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

**Last Ten Fiscal Years**

**2001 - 2010**

Market Value

<u>Fiscal Year Ending June 30</u>	<u>Real Property</u>	<u>Manufactured Property</u>	<u>Personal Property</u>	<u>Public Utility</u>
2001	8,584,453,511	85,584,996	380,449,753	250,919,967
2002	10,639,614,593	74,370,422	393,699,811	313,680,138
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

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)
9,301,408,227	6,942,553,084	7.10	49,292,127	(9,818,427)	39,473,700
11,421,364,964	7,480,035,078	8.34	62,383,493	(7,256,587)	55,126,906
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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

**2000-01 Through 2009-10**

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

<b>DIRECT:</b>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Hillsboro School District	6.3322	6.2936	6.1994	6.5240
Hillsboro School District - after 10/6/01	1.1278	0.8080	1.8587	0.0000
Prior School District Bonds:				
Hillsboro Elementary	0.0000	0.0802	0.0829	0.0793
Reedville	0.4102	0.2617	0.2493	0.2268
Farmington View	0.0000	0.0000	0.0000	0.0000
North Plains	0.0000	0.0000	0.0000	0.2706
<b>OVERLAPPING GOVERNMENTS:</b>				
Washington County	2.3940	2.3940	2.4431	2.4494
Washington County - after 10/6/01	0.5900	0.5900	0.5900	0.0000
Enhanced Sheriff Patrol	1.2823	1.3099	1.0920	1.1120
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	4.7665	4.7665
City of North Plains	2.1712	2.1712	2.1712	2.1712
City of Cornelius	3.9836	4.0050	4.0723	4.1698
Cornelius RFPD	1.3300	1.4388	1.4702	1.4820
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	0.0000
Tualatin Valley Fire and Rescue	1.5252	1.5446	1.5560	1.8194
Tualatin Valley Fire and Rescue - after 10/6/01	0.3695	0.2988	0.3132	0.0000
Gaston RFPD	1.5121	1.5121	1.5121	1.5121
Banks RFPD	2.1324	2.1671	2.0321	2.0220
Forest Grove RFPD	1.4339	1.4375	1.4409	1.4390
Metro Service District	0.2504	0.3018	0.2683	0.2782
Metro Service District after 10/6/01	0.1864	0.0966	0.1609	0.0000
Tri-Met	0.0863	0.0803	0.0856	0.0973
Tualatin Hills Park & Recreation	1.7343	1.4291	1.4341	1.4425
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	0.0966
Northwest Regional ESD	0.1538	0.1538	0.1538	0.1538
Portland Community College	0.4579	0.5031	0.5051	4.8890
Portland Community College - after 10/6/01	0.1746	0.0000	0.0000	0.0000
Rainbow Lane Road	0.4888	0.4888	0.4888	0.4888

Source: The Washington County Department of Assessment and Taxation.

2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
6.5900	6.7059	6.6651	6.7942	8.3400	7.1000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0793	0.1292	0.1278	0.1257	0.1407	0.1710
0.2556	0.3327	0.2985	0.2828	0.2999	0.3461
0.3408	0.3636	0.3627	0.3812	0.3907	0.4593
0.0253	0.3187	0.2944	0.2890	0.3292	0.3723
2.8390	2.8734	2.9149	2.9149	2.5277	2.5425
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1.1300	1.1424	1.0291	1.0291	1.0797	1.0506
0.2456	0.2456	0.2456	0.2456	0.2456	0.2456
0.0701	0.0701	0.0701	0.0701	0.0737	0.0753
4.7665	4.7665	4.7665	4.7665	4.7665	4.8230
2.6385	3.1563	3.2361	3.2361	2.6902	2.7071
3.9836	4.3098	4.5828	4.5828	4.6836	4.7373
1.5307	1.5631	1.9667	1.9667	1.9550	2.1146
1.1219	1.1219	1.1219	1.1219	1.2976	1.2941
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1.7752	1.8259	1.8206	1.8206	1.5869	1.5563
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1.5121	1.0921	1.3060	1.3060	1.0921	1.0736
1.7031	1.4110	1.6621	1.6621	1.5504	1.5428
1.2766	1.4361	1.4568	1.4568	1.4591	1.4626
0.0000	0.2838	0.2835	0.2835	0.3401	0.3282
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.1191	0.1104	0.1239	0.1239	0.1345	0.1428
1.4505	1.4551	1.4617	1.4617	1.4898	1.5575
0.0000	0.0000	0.1486	0.1486	0.1647	0.1537
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0966	0.2838	0.0000	0.0000	0.0000	0.0000
0.1538	0.1538	0.1538	0.1538	0.1538	0.1538
0.2828	0.5099	0.4944	0.4944	0.3717	0.3600
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 (2010) and Ten Years Ago (2000)

Taxpayer	2010			2000		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ten Largest Taxpayers						
Intel Corporation	\$1,053,477,587	1	10.99%	\$655,599,610	1	11.05%
Verizon Northwest, Inc.	\$436,478,049	2	4.55%			
Nike, Inc.	\$429,873,425	3	4.48%			
Portland General Electric	\$355,703,920	4	3.71%	\$71,210,060	3	1.20%
Pacific Realty Associates	\$294,193,459	5	3.07%	\$29,333,960	10	0.49%
Northwest Natural Gas Co.	\$300,943,530	6	3.14%	\$42,009,300	7	0.71%
Comcast Corporation	\$212,605,300	7	2.22%			
Maxim Integrated Products, Inc.	\$155,112,058	8	1.62%			
Tektronix, Inc.	\$132,746,367	9	1.38%			
PS Business Parks	\$104,442,466	10	1.09%			
Komatsu Silicon America, Inc.				\$197,044,830	2	3.32%
Integrated Device Technology				\$67,298,640	4	1.13%
OHKA American, Inc.				\$57,937,940	5	0.98%
GTE Northwest, Inc.				\$56,204,817	6	0.95%
Sumitono Bank Leasing & Finance				\$41,974,060	8	0.71%
Wolverine Leasing Corp				\$39,921,950	9	0.67%
Subtotal of Ten Largest Taxpayers	\$3,475,576,161		36.24%	\$1,258,535,167		21.20%
All Other Taxpayers	6,114,400,776		63.76%	\$4,677,151,568		78.80%
Total All Taxpayers	\$9,589,976,937		100.00%	\$5,935,686,735		100.00%

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**

**2001 - 2010**

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
2001	\$39,473,700	\$37,328,864	94.57%	\$1,036,779	\$38,365,643	97.19%
2002	\$55,126,906	\$52,009,944	94.35%	\$1,472,559	\$53,482,503	97.02%
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%

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**RATIO OF BONDED DEBT TO ASSESSED PROPERTY VALUE**

**Last Ten Fiscal Years**

**2001 - 2010**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>PERS Pension Bonds</u>	<u>Total District</u>	<u>Per ADMw</u>	<u>Per Capita</u>
2001	\$170,675,000	\$6,495,000	\$0	177,170,000	9,559	1,926
2002	\$164,865,000	\$6,280,000	\$0	171,145,000	9,426	1,821
2003	\$157,405,000	\$6,060,000	\$0	163,465,000	8,685	1,528
2004	\$149,580,000	\$5,825,000	\$0	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

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, 2010**

<u>Overlapping Issuer</u>	<u>Net Property-tax Backed Debt</u>	<u>Percent Overlapping</u>	<u>Overlapping Debt</u>
Northwest Regional ESD	\$ -	16.7053%	\$ -
Chemeketa Community College	2,941	0.0045%	0
Multnomah County	523	0.0005%	0
Port of Portland	-	6.6081%	-
Metro	9,657,059	6.0915%	588,260
Tri-Met	1,786,896	6.3909%	114,199
Portland Community College	20,411,366	9.1112%	1,859,720
Washington County	5,702,864	21.9004%	1,248,950
Tualatin Hills Park & Rec Dist	1,293,854	1.9330%	25,010
Forest Grove RFPD	1,459	0.9413%	14
Gaston RFPD	9,591	2.7799%	267
Banks Fire District 13	30,445	2.7305%	831
Tualatin Valley Fire & Rescue Dist	913,401	3.2756%	29,919
City of Cornelius	-	32.4073%	-
City of Hillsboro	-	88.0532%	-
Yamhill County	-	0.0257%	-
Chehalem Park & Rec District	288	0.0204%	0
Yamhill County Housing Authority	-	0.0257%	-
City of Hillsboro			-
Subtotal, overlapping debt			\$ 3,867,170
Direct District net property-tax backed debt			\$ 250,616,712
Total direct and overlapping debt			\$ 254,483,882

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**LEGAL DEBT MARGIN INFORMATION**

**Last Ten Fiscal Years**

**2001 - 2010**

	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Debt Limit	\$1,514,893,129	\$1,556,140,350	\$1,578,265,232	\$1,399,071,619
Total net debt applicable to limit	<u>352,216,711.9</u>	<u>367,827,826.0</u>	<u>380,501,712.0</u>	<u>391,061,712.0</u>
Legal debt margin	<u>\$1,162,676,417</u>	<u>\$1,188,312,524</u>	<u>\$1,197,763,520</u>	<u>\$1,008,009,907</u>
Total net debt applicable to the limit as a percentage of debt limit	23.25%	23.64%	24.11%	27.95%

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

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

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

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

Source: District Financial Statements

2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
\$1,247,560,967	\$1,243,730,043	\$1,234,684,230	\$972,600,495	\$907,998,515	\$739,461,954
231,880,000.0	248,025,005.0	149,580,000.0	157,405,000.0	164,865,000.0	170,675,000.0
\$1,015,680,967	\$995,705,038	\$1,085,104,230	\$815,195,495	\$743,133,515	\$568,786,954
18.59%	19.94%	12.11%	16.18%	18.16%	23.08%

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**Last Ten Fiscal Years**

**2001 - 2010**

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (thousands of dollars) (Estimated)</u>	<u>Personal Income (2)</u>	<u>Unemployment Rate (2)</u>
2001	92,000	\$2,920,816	\$31,748	3.1%
2002	94,000	\$2,921,268	\$31,077	5.1%
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%

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**PRINCIPAL EMPLOYERS FOR THE PORTLAND, OREGON METRO AREA  
Current Year (2010) and Nine Years Ago (2001)**

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Ten Largest Employers						
Intel Corp.	15,141	1	1.54%	12,000	1	1.24%
Providence Health System	13,825	2	1.41%			
Oregon Health & Science University	12,700	3	1.29%			
Fred Meyer Stores	9,630	4	0.98%	10,100	2	1.04%
Kaiser Permanente	8,759	5	0.89%			
Legacy Health Systems	8,251	6	0.84%			
Nike	7,000	7	0.71%	5,000	4	0.52%
Wells Fargo	5,010	8	0.51%			
US Bank	3,948	9	0.40%	4,902	5	0.51%
Daimler Trucks Northwest	2,850	10	0.29%			
Freightliner				5,344	3	0.55%
Safeway				4,500	6	0.46%
Tektronix Inc.				4,100	7	0.42%
Meier & Frank				3,500	8	0.36%
US West				3,440	9	0.36%
United Parcel Service				3,100	10	0.32%
Sub-Total of Ten Largest Employers	87,114		8.87%	55,986		5.78%
All Other Employers	895,286		91.13%	913,014		94.22%
Total Portland PMSA Employees	982,400		100.00%	969,000		100.00%

Source:

2010 Portland Development Commission

<http://pdc.us/factbookonline/employment.html>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**CERTIFIED, CLASSIFIED AND ADMINISTRATIVE EMPLOYEES**

**Last 10 Fiscal Years  
2000-01 Through 2009-10**

<u>Fiscal Year</u>	<u>Certified</u>	<u>Classified</u>	<u>Administrative</u>	<u>TOTAL</u>
2000-01	987	937	79	2,003
2001-02	995	957	78	2,030
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

(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**

**2000-01 Through 2009-10**

Fiscal Year	Average Daily Membership	Percent Free and Reduced	Net Operating Expenditures per ADM	Student to Teacher Ratio
2000-01	17,283	30%	\$6,771	17
2001-02	17,705	33%	\$7,359	18
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	19,789	50%	\$7,846	18

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**STUDENT ENROLLMENT AND CAPITAL ASSET STATISTICS**

Last Ten Fiscal Years

2001 - 2010

School/(Year Opened)	Square Footage				
		2010	2009	2008	2007
Brookwood Elementary (1953)	43,041	445	457	535	566
Imlay Elementary (2002)	69,435	609	617	541	659
Butternut Creek Elementary (1977)	34,840	412	451	449	439
Patterson Elementary (2000)	69,435	552	515	733	654
Orengo Elementary (2000)	69,435	438	424	605	594
Indian Hills Elementary (1979)	40,219	451	443	385	407
Reedville Elementary (1922)	16,247	276	291	346	366
David Hill Elementary (1943)	27,828	Closed	Closed	262	337
Eastwood Elementary (1978)	49,163	473	472	481	505
Farmington View Elementary (1950)	22,867	224	215	209	226
Free Orchards (2008)	73,500	487	472	-	-
Jackson Elementary (1990)	50,767	535	537	620	656
L.C. Tobias Elementary (1992)	50,000	524	543	550	563
Groner Elementary (1949)	32,402	171	191	192	206
Lenox Elementary (1949)	51,074	390	402	425	440
McKinney Elementary (1970)	49,163	474	503	536	533
Minter Bridge Elementary (1980)	49,163	427	461	442	362
Moobery Elementary (1963)	49,496	488	513	516	543
North Plains Elementary (1954)	46,913	311	320	332	310
Peter Boscow Elementary (1912)	67,752	Closed	Closed	355	388
Rosedale Elementary (2009)	73,700	363	-	-	-
Quatama Elementary (2008)	73,100	638	513	-	-
Ladd Acres Elementary (1968)	60,825	548	636	647	603
Lincoln Street Elementary (2008)	73,400	522	545	-	-
W.L. Henry Elementary (1968)	52,813	467	605	594	616
West Union Elementary (1948)	42,757	305	312	402	349
Old Witch Hazel Elementary	Demolished	n/a	n/a	n/a	n/a
Witch Hazel Elementary (2003)	69,435	544	645	609	489
Brown Middle School (1963)	95,414	859	919	899	875
Evergreen Middle School (1981)	120,000	855	886	873	778
Thomas Middle School (1928)	Demolished	n/a	543	524	544
South Meadows Middle School (2009)	153,000	750	-	-	-
Poynter Middle School (1959)	83,200	678	775	782	713
Miller Ed Junior High (1959)	9,560	22	17	19	16
Century High School (1997)	265,000	1,537	1,524	1,454	1,493
Glencoe High School (1980)	240,000	1,554	1,490	1,427	1,444
Liberty High School (2003)	288,897	1,244	1,270	1,264	1,269
Hilhi High School (1969)	253,652	1,470	1,481	1,477	1,478
Middle Ed High School (1958)	20,552	60	50	60	69
		20,103	20,038	19,545	19,490

Source:

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

Enrollment

	2006	2005	2004	2003	2002	2001
	558	566	525	509	540	502
	655	654	610	608		
	442	456	488	492	442	459
	677	642	649	601	575	540
	552	567	550	538	695	665
	369	382	407	481	484	615
	360	388	373	376	351	343
	321	311	309	299	281	262
	534	557	607	606	587	624
	248	269	297	292	316	343
-	-	-	-	-	-	-
	632	612	622	583	575	686
	577	567	640	658	621	639
	191	212	224	223	248	243
	439	395	416	520	491	497
	509	503	513	506	482	618
	406	401	495	528	514	499
	504	513	472	505	496	617
	333	351	354	354	345	347
	388	392	387	447	436	517
-	-	-	-	-	-	-
-	-	-	-	-	-	-
	612	592	587	716	701	726
-	-	-	-	-	-	-
	592	546	649	632	659	629
	358	300	326	375	392	428
n/a	n/a	n/a	n/a	n/a	182	160
	431	401				
	892	903	851	791	765	741
	774	794	809	770	775	797
	550	503	499	497	506	494
-	-	-	-	-	-	-
	760	764	703	640	640	635
	15	16	15	15	14	16
	1,460	1,587	2,107	2,037	1,940	1,910
	1,464	1,516	1,773	1,774	1,659	1,575
	1,171	847				
	1,444	1,438	1,403	1,375	1,382	1,343
	79	81	75	73	62	65
	19,297	19,026	18,735	18,821	18,156	18,535

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County County

**TEACHER DATA**

**2009-10 SCHOOL YEAR**

Education	Step	#	Salary
BA	2	6.70	\$35,202
BA	3	13.65	\$35,907
BA	4	7.03	\$37,343
BA	5	5.65	\$38,836
BA	6	5.80	\$40,389
BA	7	10.97	\$42,005
BA	8	4.30	\$43,685
BA	9	3.84	\$45,433
BA	10	3.10	\$47,250
BA	11	3.00	\$49,139
BA	12	5.31	\$51,106
BA	13	4.24	\$53,262
BA	13a	20.38	\$54,416
BA+24	2	0.00	\$36,259
BA+24	3	2.87	\$36,984
BA+24	4	5.00	\$38,463
BA+24	5	3.48	\$40,001
BA+24	6	3.50	\$41,602
BA+24	7	1.00	\$43,265
BA+24	8	3.50	\$44,997
BA+24	9	6.00	\$46,797
BA+24	10	3.00	\$48,668
BA+24	11	4.00	\$50,615
BA+24	12	3.09	\$52,640
BA+24	13	1.00	\$54,862
BA+24	13a	21.42	\$56,051
BA+45	2	0.00	\$37,346
BA+45	3	1.00	\$38,093
BA+45	4	2.00	\$39,617
BA+45	5	0.00	\$41,201
BA+45	6	1.00	\$42,849
BA+45	7	0.00	\$44,563
BA+45	8	0.00	\$46,346
BA+45	9	1.60	\$48,200
BA+45	10	0.00	\$50,128
BA+45	11	1.00	\$52,132
BA+45	12	5.00	\$54,217
BA+45	13	4.00	\$56,385
BA+45	14	1.80	\$58,642
BA+45	15	2.00	\$60,987
BA+45	16	1.00	\$63,426
BA+45	16a	16.83	\$64,669
MA	2	19.38	\$38,469
MA	3	37.84	\$39,238
MA	4	50.14	\$40,807
MA	5	41.22	\$42,439
MA	6	45.39	\$44,137

Education	Step	#	Salary
MA	7	50.45	\$45,902
MA	8	22.37	\$47,739
MA	9	21.31	\$49,647
MA	10	36.54	\$51,634
MA	11	34.21	\$53,699
MA	12	22.67	\$55,847
MA	13	20.25	\$58,080
MA	14	19.28	\$60,404
MA	15	5.50	\$62,821
MA	16	9.73	\$65,334
MA	17	13.80	\$67,948
MA	17a	81.37	\$69,278
MA+24	2	1.00	\$39,621
MA+24	3	1.00	\$40,413
MA+24	4	4.32	\$42,030
MA+24	5	11.41	\$43,711
MA+24	6	15.00	\$45,460
MA+24	7	14.36	\$47,277
MA+24	8	6.26	\$49,168
MA+24	9	8.42	\$51,136
MA+24	10	13.50	\$53,181
MA+24	11	10.50	\$55,308
MA+24	12	11.41	\$57,520
MA+24	13	7.50	\$59,821
MA+24	14	7.00	\$62,213
MA+24	15	3.50	\$64,702
MA+24	16	5.00	\$67,291
MA+24	17	6.00	\$69,983
MA+24	17a	61.29	\$71,354
MA+45	2	0.00	\$40,808
MA+45	3	2.52	\$41,624
MA+45	4	5.50	\$43,290
MA+45	5	1.80	\$45,022
MA+45	6	1.00	\$46,822
MA+45	7	7.00	\$48,696
MA+45	8	4.68	\$50,644
MA+45	9	9.08	\$52,670
MA+45	10	7.09	\$54,776
MA+45	11	4.00	\$56,967
MA+45	12	8.35	\$59,246
MA+45	13	13.88	\$61,617
MA+45	14	5.96	\$64,080
MA+45	15	7.69	\$66,644
MA+45	16	8.25	\$69,310
MA+45	17	6.00	\$72,081
MA+45	17a	88.89	\$73,495

**Independent Auditors' Report  
Required by Oregon Regulations**



# PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

December 9, 2010

## Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Hillsboro School District No. 1J as of and for the year ended June 30, 2010, and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

### Compliance

As part of obtaining reasonable assurance about whether the Hillsboro School District No. 1J's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe the 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 30 and 31.

**OAR 162-10-0230 Internal Control**

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

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.*  
PAULY, ROGERS AND CO., P.C.



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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2010**

Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period	Revenue	Expenditure
<b>U.S. DEPARTMENT OF EDUCATION:</b>					
Small Learning Communities	84.215L	n/a	2009-10	\$ 285,663	\$ 285,663
				<u>285,663</u>	<u>285,663</u>
REMS	99.999	n/a	2009-10	446,824	446,824
				<u>446,824</u>	<u>446,824</u>
Safe Schools/Healthy Students PASS grant	84.184L	Q184L050110	2009-10	423,587	423,587
				<u>423,587</u>	<u>423,587</u>
Passed through Oregon State Department of Education: ARRA SFSF	84.394	n/a	2009-10	963,902	963,902
				<u>963,902</u>	<u>963,902</u>
Regional Data Warehouse ETL	99.998	12160	2009-10	22,043	22,043
				<u>22,043</u>	<u>22,043</u>
Title IA Grants to LEA	84.010	12791	2008-09	524,001	524,001
	84.010	16562	2009-10	1,919,675	1,919,675
				<u>2,443,676</u>	<u>2,443,676</u>
Title ID	84.010	16473	2009-10	41,310	41,310
				<u>41,310</u>	<u>41,310</u>
Title IA - ARRA	84.389	15664	2009-10	1,155,083	1,155,083
				<u>1,155,083</u>	<u>1,155,083</u>
Title ID - ARRA	84.389	16911	2009-10	20,226	20,226
				<u>20,226</u>	<u>20,226</u>
ARRA - Title I School Improvement	84.389	18016	2009-10	4,564	4,564
ARRA - Title I School Improvement	84.389	18043	2009-10	2,889	2,889
				<u>7,453</u>	<u>7,453</u>
Title I School Improvement	84.010	18985	2009-10	36,125	36,125
Title I School Improvement	84.010	18986	2009-10	32,948	32,948
Title I School Improvement	84.010	18987	2009-10	33,872	33,872
				<u>102,946</u>	<u>102,946</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2010**

Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period	Revenue	Expenditure
School Improvement - G Funds	84.377	18080	2009-10	26,950	26,950
School Improvement - G Funds	84.377	18081	2009-10	26,950	26,950
School Improvement - G Funds	84.377	18082	2009-10	26,950	26,950
				80,850	80,850
Migrant Education					
Title IC Summer School	84.011	15870	2008-09	39,909	39,909
	84.011	14766	2008-09	242,000	242,000
	84.011	19084	2009-10	3,728	3,728
				285,637	285,637
Title IC Regular School	84.011	12924	2008-09	50,237	50,237
	84.011	16196	2009-10	352,480	352,480
				402,717	402,717
Title IC Preschool	84.011	14382	2008-09	29,220	29,220
	84.011	17603	2009-10	24,523	24,523
				53,743	53,743
OLN School District Leadership	99.999	17673	2009-10	84,395	84,395
				84,395	84,395
Enhancement & Extended Assessment	84.027	18278	2009-10	7,971	7,971
				7,971	7,971
EBISS	84.323	18170	2009-10	15,363	15,363
				15,363	15,363
EBISS Coordinator	84.323	18159	2009-10	62,500	62,500
				62,500	62,500
RIT/Scaling Up	84.027	19059	2009-10	800	800
				800	800
Title V-B Charter Schools	84.282	18365	2009-10	50,850	50,850
				50,850	50,850

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2010**

Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period	Revenue	Expenditure
IDEA - Part B Section 611	84.027	13632	2008-09	1,151,000	1,151,000
IDEA - Part B Section 611	84.027	17761	2009-10	1,756,950	1,756,950
IDEA Enhancement	84.027	14612	2008-09	12,000	12,000
IDEA Redistribution 08-09 Funds	84.027	18816	2009-10	6,168	6,168
				2,926,119	2,926,119
IDEA - Part B, ARRA	84.391	15203	2009-10	1,736,705	1,736,705
				1,736,705	1,736,705
SPR&I	84.027	17468	2009-10	8,376	8,376
				8,376	8,376
Perkins Comprehensive Basic	84.048	12332	2008-09	69,244	69,244
Perkins Comprehensive Basic	84.048	15336	2009-10	85,740	85,740
				154,984	154,984
CAF-SSP (My Future My Choice)	93.235	131150	2009-10	12,405	12,405
				12,405	12,405
Title IV Safe and Drug-Free School	84.186	17387	2009-10	50,710	50,710
				50,710	50,710
Title X McKinney Vento	84.196	13954	2008-09	9,249	9,249
Title X McKinney Vento	84.196	16888	2009-10	44,038	44,038
				53,287	53,287
Title X McKinney Vento - ARRA	84.387	15524	2009-10	15,094	15,094
				15,094	15,094
Summer Math Coaching Institute	84.298	15452	2009-10	2,396	2,396
NCLB & More Trainings	84.298	15398	2009-10	2,501	2,501
				4,897	4,897
Title IID	84.318	13204	2008-09	16,792	16,792
Enhancing Ed through Technology	84.318	16346	2009-10	34,632	34,632
				51,424	51,424
Reading First Implementation	84.357	14216	2009-10	82,595	82,595
Reading First Beacon	84.357	14211	2009-10	48,828	48,828

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2010**

Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period	Revenue	Expenditure
				131,423	131,423
Title III English Language Acquisition	84.365	13906	2008-09	143,147	143,147
	84.365	16228	2009-10	234,253	234,253
				<u>377,400</u>	<u>377,400</u>
Title IIA Teacher Quality State	84.367A	13016	2008-09	164,546	164,546
Title IIA Teacher Quality State	84.367A	16757	2009-10	397,322	397,322
2141 Regional Training	84.367	18697	2009-10	1,000	1,000
				<u>562,868</u>	<u>562,868</u>
EII GF 11 - Mentoring Teachers	99.998	17689	2009-10	513,107	513,107
				<u>513,107</u>	<u>513,107</u>
Passed through Oregon Department of Human Services: Vocational Rehabilitation Services - Youth Transition	84.126A	113776-1	2009-10	94,695	94,695
				<u>94,695</u>	<u>94,695</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<b><u>13,651,034</u></b>	<b><u>13,651,034</u></b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>					
Passed through Oregon State Department of Human Resources: Child Care and Development Block Grant	93.575	CCD 095113	2009-10	25,000	25,000
	93.575	CCD 095113	2009-10	24,615	24,615
	93.575	CCD 089113	2008-09	1,550	1,550
	93.575	CCD 089113	2009-10	10,000	10,000
				<u>61,165</u>	<u>61,165</u>
HEY! Together Coalition	93.276	C3829G1	2009-10	89,189	89,189
				<u>89,189</u>	<u>89,189</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<b><u>150,354</u></b>	<b><u>150,354</u></b>
<b>U.S. DEPARTMENT OF LABOR:</b>					
Passed through Work Systems, Inc.: Workforce Investment Act	17.259	08-70501	2009-10	466,627	462,253

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2010**

Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period	Revenue	Expenditure
Summer Jobs Program (ARRA) Passed through Hillsboro School District:	17.259	08-70501	2009-10	420,904	425,278
Workforce Investment Act	17.259	08-70501	2009-10	403,759	403,759
Summer Jobs Program (ARRA)	17.259	08-70501	2009-10	479,634	479,634
				1,770,925	1,770,925
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>				<b>1,770,925</b>	<b>1,770,925</b>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>					
Passed through Oregon State Department of Education:					
National School Lunch Program - Breakfast	10.553	3408001	2009-10	1,131,937	1,131,937
National School Lunch Program - Lunch	10.555	3408001	2009-10	2,759,116	2,759,116
National School Lunch Program - Snack	10.555	3408001	2009-10	25,879	25,879
USDA - Commodities	10.555	3408001	2009-10	433,862	433,862
Fresh Fruits & Veggies Grant (7/1- 9/30/09) Lincoln Street	10.582	17921	2009-10	4,011	4,011
Fresh Fruits & Veggies Grant (7/1- 9/30/09) WL Henry	10.582	17954	2009-10	2,841	2,841
Fresh Fruits & Veggies Grant (10/1- 6/30/10) Lincoln Street	10.582	18235	2009-10	14,534	14,534
Fresh Fruits & Veggies Grant (10/1- 6/30/10) WL Henry	10.582	18213	2009-10	14,883	14,883
Summer Food Service Program for Children	10.582	3408001	2009-10	161,514	161,514
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE:</b>				<b>4,548,576</b>	<b>4,548,576</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<b>\$ 20,120,889</b>	<b>\$ 20,120,889</b>



**PAULY, ROGERS AND CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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

December 9, 2010

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 financial statements of Hillsboro School District No. 1J as of and for the year ended June 30, 2010, and have issued our report thereon dated December 9, 2010. 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.

## 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*.

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.



**PAULY, ROGERS AND CO., P.C.**

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December 9, 2010

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, 2010. Hillsboro School District No. 1J's 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, 2010.

**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 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.*  
PAULY, ROGERS AND CO., P.C.

HILLSBORO SCHOOL DISTRICT NO. 1J  
WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

**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 to financial statements noted?  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**

<b><u>CFDA NUMBER</u></b>	<b><u>NAME OF FEDERAL PROGRAM CLUSTER</u></b>
84.394	State Fiscal Stabilization Fund
17.259	Workforce Investment Act
84.010 & 84.389	Title I, Part A Cluster
84.027 & 84.391	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$603,627

Auditee qualified as low-risk auditee?  yes  no

HILLSBORO SCHOOL DISTRICT NO. 1J  
WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None Reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:**

None Reported.

**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.

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