

Comprehensive Annual Financial Report

For the Year Ended June 30, 2009



Rich in Tradition

FOCUSED ON EXCELLENCE

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

Comprehensive Annual Financial Report

For the year ended June 30, 2009

Prepared by:

Adam Stewart,
Chief Financial Officer — Deputy Clerk

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

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Washington County, Oregon

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December 14, 2009

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WEB: www.hsd.k12.or.us

To the Hillsboro School District 1J Community
Hillsboro, Oregon

Oregon Municipal Audit Law requires that an independent audit be made of all District funds within six months following the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report of the Hillsboro School District 1J (the District) for the fiscal year June 30, 2009, is hereby submitted.

This report was prepared by the District's Business Department. The responsibility for the completeness, fairness and accuracy of the data presented, as well as all accompanying disclosures, rests with the District. To provide a reasonable basis for making these representations, the District's management has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America (Generally Accepted Accounting Principles or GAAP). Because the cost of internal controls should not outweigh their benefits, the District 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 is complete and reliable in all material respects.

GAAP requires that Management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a 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.

REPORT CONTENTS

The Comprehensive Annual Financial Report is organized in five sections. These sections and their components are as follows:

The **Introductory Section** includes this Letter of Transmittal, the District's organizational chart, and the District's financial reporting award.

The **Financial Section** includes the independent auditor's report, Management's Discussion and Analysis, basic financial statements, notes to the basic financial statements and supplemental information.

The **Statistical Section** includes summary financial data for nine years of the District's existence, debt computations and a variety of demographic, economic and general information about the District and the Hillsboro community.

The **Single Audit Section** contains reports required by the Single Audit Act.

Auditors' Comments and Disclosures Required by State Regulations follows the Single Audit Section.

THE DISTRICT

Hillsboro School District 1J was formed as of July 1, 1996, through the unification of a union high school district with 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 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 152,909. Almost all of the over 200 square miles encompassed in the District are located in Washington County. Small portions of the District are located in Multnomah and Yamhill Counties.

The District is the special purpose municipal corporation exercising financial accountability for all public education within its boundaries. As required by accounting principles generally

accepted in the United States of America, all significant activities and organizations have been included in the financial statements.

A seven member Board of Directors governs the District. They are elected on a District-wide basis to staggered four-year terms. The District employs a superintendent, assistant and deputy superintendents, chief financial officer, and other specialists. The District employs 1,105 licensed teachers, counselors and librarians; 856 classified support staff and 77 administrators and 46 supervisory/technical employees. The District operates 23 elementary schools, 4 middle schools, 4 high schools and 2 alternative schools.

ECONOMIC CONDITION

Hillsboro, the county seat of Washington County, Oregon, is located in the northwestern part of the state, approximately 18 miles west of Portland, the state's largest city. Washington County is one of the six counties that comprise the Portland-Vancouver Primary Metropolitan Statistical Area (PMSA). The six counties are Washington, Multnomah, Clackamas, Yamhill and Columbia in Oregon and Clark County in Washington. According to the Oregon State Employment Department, Multnomah and Washington counties together have almost a third of the State of Oregon (the State) population. Because the District lies within the PMSA, economic and demographic data is not available specifically for the District. Data is generally available for Washington County and the PMSA. Washington County's economic base was traditionally centered in agriculture, lumber, manufacturing, food processing and electronics. The manufacturing and electronics have experienced rapid growth, with lumber declining. Since the 1980's, it has been the center of focus for Oregon's high technology development, and is referred to as the "silicon forest". Major industrial developments have included computer chip development and manufacturing operations, and various support facilities for the industry. Agricultural production is focused on high value enterprises such as nursery stock, wine grapes and greenhouses. The area has seen very rapid growth over the last two decades in population, school enrollment, residential, commercial and industrial construction, employment, income and other measures of the economy. According to the Oregon Employment Department, in June, 2009, the unemployment rate for Washington County was 10.4 percent.

MAJOR PROGRAMS

In the spring of 2006, the Hillsboro community schools, district staff and school board 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 2008-09 school year, the focus of the entire district was to maintain financial stability within the School District while refocusing staffing and resources to promote increased student achievement and class size maintenance. 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 appropriated \$6.2 billion for K-12 allocations for the 2007-09 biennium, an increase of approximately 14 percent over the 2005-07 biennium. However, due to a downturn in the local, state, national and world economies, the K-12 allocation for 2007-08 was reduced from \$3.070 billion to \$2.796 billion, resulting in a reduction of approximately \$1.7 million to the Hillsboro School District adopted budget. These reductions were accomplished by reducing supply and discretionary budgets and drawing down reserves.

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 continued during the 2008-09 school year. A \$169 million bond issues was approved by voters in November 2006, which provides funding for the construction of four elementary schools, and one middle school. The project list also includes the major remodel of three existing middle schools and 52 smaller projects throughout the District.

Cash Management. Throughout the year, cash not required for current operations was invested in the State of Oregon Local Government Investment Pool, U.S. Treasury securities, demand deposits, money market accounts, bankers' acceptances and commercial paper. All investments were made in accordance with the District's fiscal management policies. Interest income on pooled cash and investments were recorded in the General Fund.

Pensions and Other Post-Employment Benefits. The District contributes to the Oregon Public Employees Retirement Fund, a 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.

In addition, the District provided early retirement benefits for certain retirees. As of the end of the 2008-09 fiscal year there were 8 retired employees receiving benefits, which are financed on a pay-as-you-go basis.

Additional information on the District's pension arrangements and post-employment benefits can be found in Notes to the basic financial statements on pages 32 - 37.

INDEPENDENT AUDIT

The Hillsboro School District's financial statements have been audited by Pauly, Rogers and Company, P.C. a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's basic financial statements for the fiscal year ended June 30, 2009, are fairly represented in conformity with GAAP. The independent auditor's report is presented in the first component of the Financial Section of this report.

The independent audit of the District's basic financial statements was part of a broader federally mandated "Single Audit" designed to meet the special requirements of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the

District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section of this report.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Hillsboro School District 1J for its Comprehensive Annual Financial Report for the year ended June 30, 2008. This was the tenth consecutive year the District has received this prestigious award. In order to receive a Certificate of Achievement, the District published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for 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 GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

I would like to express my sincere appreciation to the entire Business Department staff for their efforts and contributions to the preparation of the Comprehensive Annual Financial Report.

I would also like to thank the members of the Hillsboro School District Board of Directors for their continued support and dedication to the financial operations of the District.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'AS', with a long horizontal stroke extending to the right.

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, 2008

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.



President

Executive Director

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

OFFICIALS OF THE DISTRICT

JUNE 30, 2009

BOARD OF DIRECTORS

<u>Name</u>	<u>Term Expires</u>
Carolyn Ortman, Chair 2293 SE Meadowlark Drive Hillsboro, Oregon 97123	June 30, 2009
Rebecca Lantz, Vice Chair 6845 NW Roy Road Cornelius, Oregon, 97113	June 30, 2009
Adriana Canas 1250 NE Estelle Court Hillsboro, Oregon 97124	June 30, 2011
Patti McLeod 33720 SW Peaks View Drive Hillsboro, Oregon 97123	June 30, 2009
Hugh O'Donnell 208 S.E. 59 th Lane Hillsboro, Oregon 97123	June 30, 2011
Lisa Poehlitz 17243 SW Swank Road Sherwood, Oregon 97140	June 30, 2009
John Peterson 3156 NE 11 th Court Hillsboro, Oregon 97124	June 30, 2011

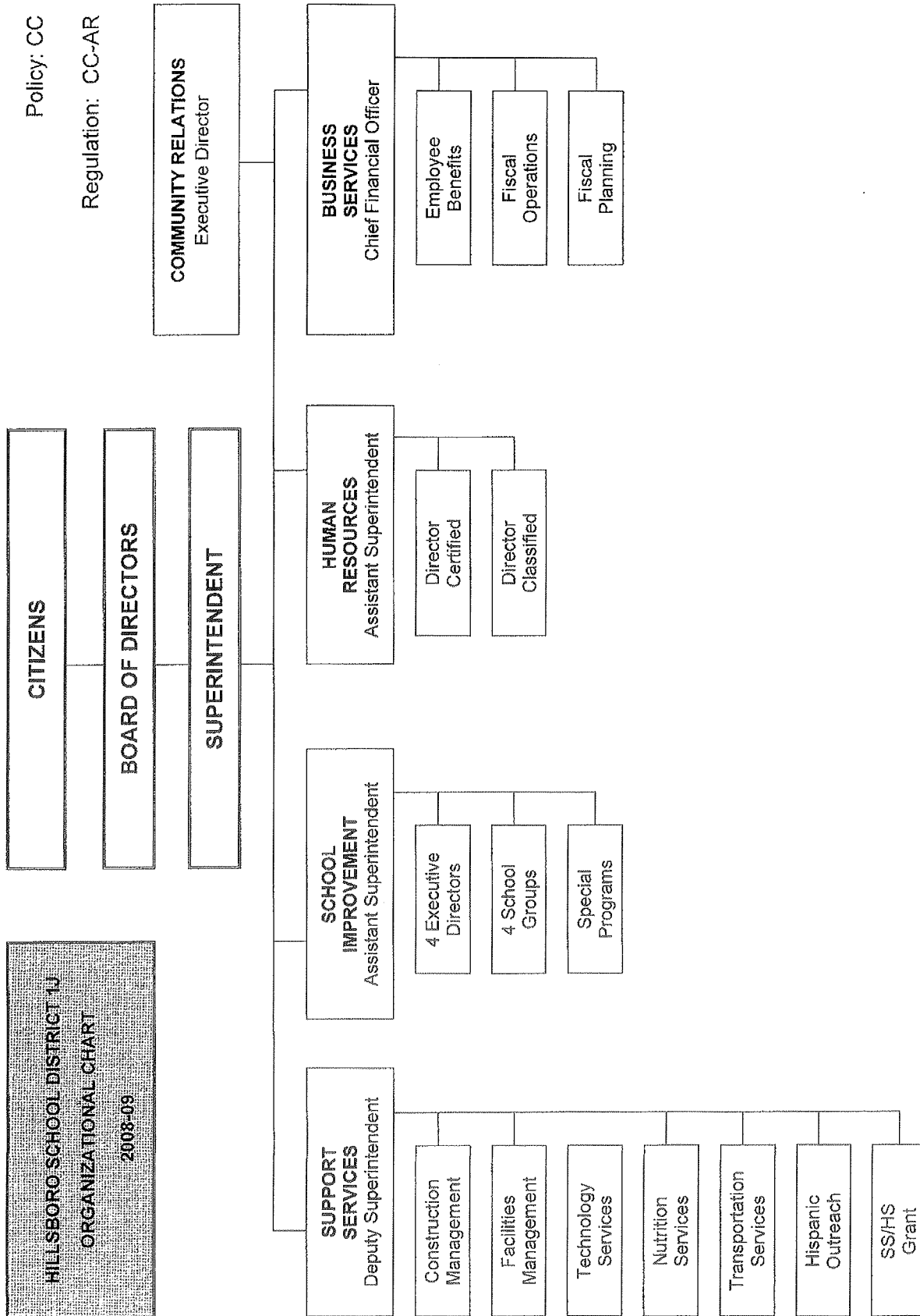
DISTRICT ADMINISTRATION

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

DISTRICT ADDRESS

3083 NE 49th Place
Hillsboro, Oregon 97124

HILLSBORO SCHOOL DISTRICT 1J
ORGANIZATIONAL CHART
 2008-09



Policy: CC

Regulation: CC-AR

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

December 14, 2009

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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's 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, 2009, 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 14, 2009, 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 14, 2009
Board of Directors
Hillsboro School District

The Management Discussion and Analysis on page 3 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 on pages 45 through 51, are presented as supplemental schedules for the Oregon Department of Education, and are not required part of the basic financial statements. 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 express an 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, 2009

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, 2009. 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 \$49.8 million. Of this amount, \$36.3 million represents the District's investment in capital assets, \$5.9 million is restricted for debt service, \$39.4 million for Capital projects and the balance, \$(31.9) million, is unrestricted and available to meet the District's ongoing obligations to citizens and creditors.
- ❖ For the fiscal year ended June 30, 2009, the District's total current and other assets decreased by \$79.2 million. This decrease is primarily due to the expenditure of approximately \$65.6 million of capital projects cash and investments on new school facilities. These new facilities were not complete as of June 30, 2009, therefore their value is not reflected as an increase in current assets.
- ❖ In addition, this marks the second 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 \$936,437 and the net pension obligation to be (\$75,430) as of June 30, 2009.
- ❖ The District's governmental funds show a combined ending fund balance of \$69.2 million, a reduction of \$70.5 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 \$20.0 million or about 12.6 percent of total general fund expenditures. This was a decrease of approximately \$3.6 million from the previous year.
- ❖ The District's total long-term debt decreased by \$27.9 million during the 2008-09 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, 2009

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 4 and 5 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

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2009

useful in evaluating a government's near-term financing requirements. Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the *government-wide financial statements*. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances are reconciled to the government-wide Statements of Net Assets and Activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Special Revenue, Debt Service, and Capital Projects Funds, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 6 and 8 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 12 and 13 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 14-38 of this report.

Other information. Schedules presenting detailed budgetary information for individual funds and other supplemental information can be found on pages 39-51 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 \$49.8 million at June 30, 2009.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 57.3 percent of total assets. The remaining assets consist mainly of investments, cash, grants and property taxes receivable, and unamortized bond issuance costs.

The District's largest liability (95.1 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, 2009**

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
	2009	2008	Fiscal 2008
Current and other assets	\$ 186,052	\$ 265,286	\$ (79,234)
Capital assets	256,225	216,921	39,304
Total assets	442,277	482,207	(39,930)
Current liabilities	19,264	23,471	(4,207)
Long-term debt outstanding	373,252	401,239	(27,987)
Total liabilities	392,516	424,710	(32,194)
Net assets:			
Invested in capital assets, net of related debt	36,340	48,427	(12,087)
Restricted	45,302	112,412	(67,110)
Unrestricted	(31,881)	(103,343)	71,461
Total net assets	\$ 49,761	\$ 57,497	\$ (7,736)

During the current fiscal year, the District's net assets decreased by \$7.7 million due to large cash reserve from the previous year being expended on construction projects. The District's Net Assets, Restricted, decreased by \$67.1 million due to the expenditure of bond funds, which have a balance of \$39.4 million.

Governmental activities. The key elements of the change in the District's net assets for the year ended June 30, 2009 are as follows:

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**YEAR ENDED JUNE 30, 2009**

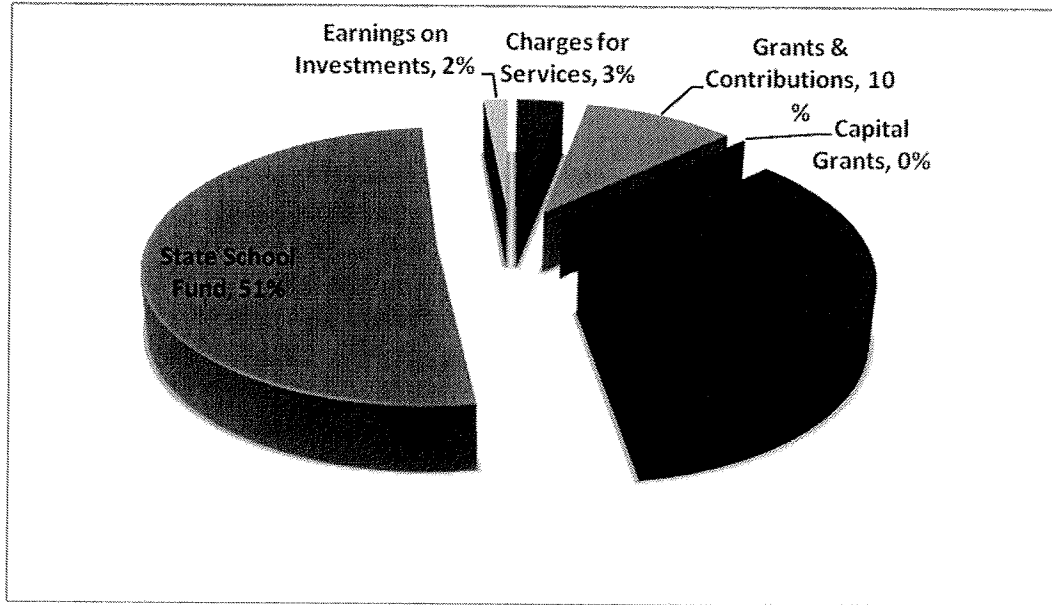
Hillsboro School District 1J Changes in Net Assets (in thousands)			
	Governmental Activities		Increase (Decrease) from Fiscal 2008
	2009	2008	
Revenues:			
Program revenues:			
Charges for services	\$ 6,232	\$ 8,906	\$ (2,674)
Operating grants and contributions	19,988	17,553	2,435
Capital grants and contributions	71	205	134
General revenues:			
Property taxes	70,039	75,600	(5,561)
State school fund - general support	103,157	104,687	(1,530)
Other state & local sources:			
Earnings on investments	3,229	9,340	(6,111)
Miscellaneous	10,750	7,597	3,153
	<u>213,466</u>	<u>223,888</u>	<u>(10,422)</u>
Expenses:			
Instruction	122,478	110,226	12,252
Support services	86,269	77,354	8,915
Enterprise and community services	9,458	9,170	288
Facilities acquisition and construction	0	65,870	(65,870)
Interest on long-term debt	17,905	22,258	(4,353)
Total expenses	<u>236,111</u>	<u>284,878</u>	<u>(48,767)</u>
Increase in net assets	(22,644)	(60,986)	38,342
Restatement of net assets	14,909	0	14,909
Net assets – July 1	57,496	111,948	(54,452)
Prior period adjustment	0	6,535	(6,535)
Net assets – June 30	<u>\$ 49,761</u>	<u>\$ 57,497</u>	<u>\$ (7,736)</u>

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2009

REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



- ❖ State School Fund revenue was down slightly, which is a result of a deteriorating economy.
- ❖ Investment earnings decreased by \$6.1 million reflecting a significant decrease in interest rates and fewer Capital Improvement funds to invest.
- ❖ Operating grants and contributions increased by \$2.4 million as the District received more federal and local grants. As significant increase in federal grants was as a result of the Federal Stimulus package and the State Fiscal Stabilization Fund.
- ❖ Program expenses for Instruction increased by over \$12.2 million (11.11 percent) as more dollars were directed toward increased student achievement. Support Services expenses increased by nearly \$8.9 million (11.52 percent). This increase was a result of increased operations in response to the major maintenance needs, technology increases and increases in negotiated salaries and benefits.

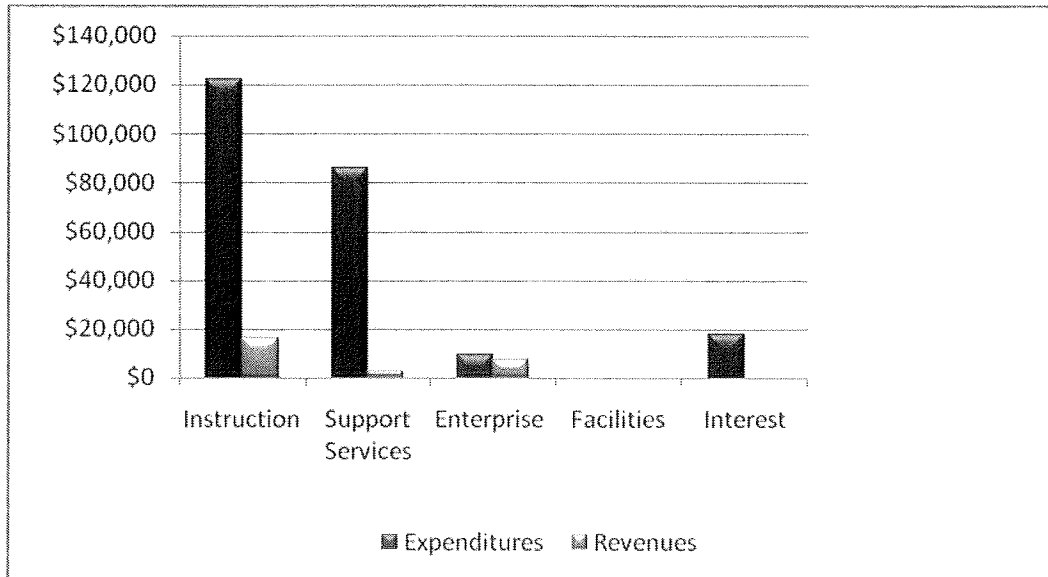
HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2009

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, 2009, the District's governmental funds reported combined ending fund balances of \$69.2 million, a decrease of \$70.5 million in comparison with the prior year. About \$23.3 million (33.6 percent) of the ending fund balance constitutes *unreserved ending fund balance*, which is available for spending at the government's discretion. About 57.0 percent of fund balance (\$39.4 million) is designated for capital projects, as authorized by voters. An additional \$5.9 million is designated for debt service obligations.

- ❖ **General Fund.** The *General Fund* is the chief operating fund of the District. As of June 30, 2009, unreserved fund balance was \$20.0 million. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents nearly 12.6 percent of total *General Fund* expenditures.

The fund balance decreased by \$3.6 million during the current fiscal year. This decrease was due primarily to a decrease in State Funding revenue.

HILLSBORO SCHOOL DISTRICT 1J

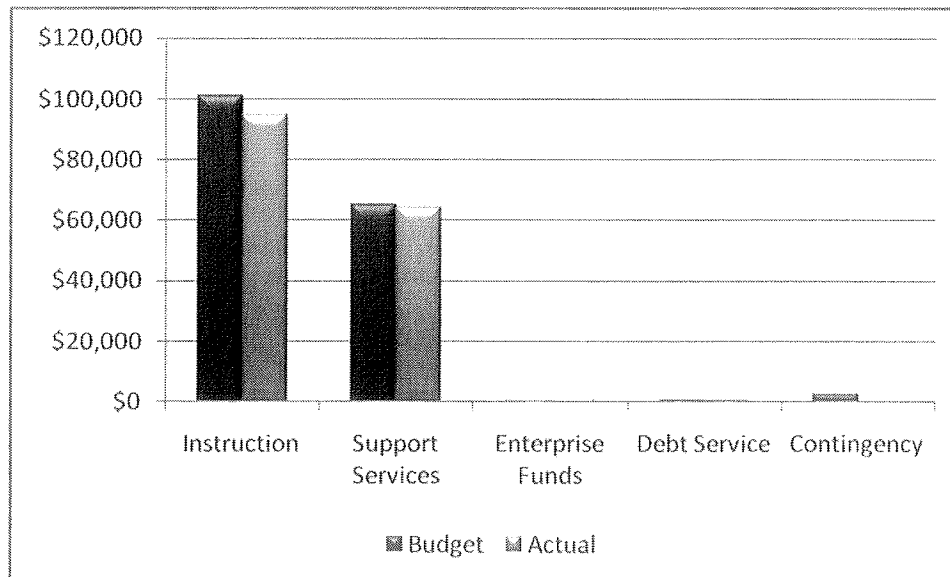
Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2009

- ❖ **Special Revenue Fund.** At June 30, 2009, the fund balance was \$3.8 million, which is an increase of \$179,080 from the prior year. Expenditures were \$25.1 million as compared to \$25.3 million in revenues.
- ❖ **Debt Service Fund.** The Debt Service Fund has a total fund balance of \$5.9 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 \$4.9 million. The \$5.9 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 \$39.4 million, all of which is designated for ongoing capital projects, as authorized by District voters in the November 2000 and November 2006 elections. This represents a net decrease in fund balance during the year of approximately \$62.1 million. The decrease is reflective of \$66.6 million in 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, 2009 was reduced by \$1,660,149 during the fiscal year. The reduction was due to a very weak Oregon economy which required the State of Oregon to reduce the State Basic School Support Fund (BSSF) allocation to schools. These reductions were accomplished by reducing supply and discretionary budgets for all schools and departments and by reducing reserves.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2009

Revenues were \$2.4 million higher than budgeted. The District received \$3.9 million in State Fiscal Stabilization Funds (SFSF), federal dollars which came to the District as part of the Federal Stimulus package. These SFSF dollars were a significant factor in minimizing district reductions. During the year expenditures were about \$8.0 million less than budgeted. The largest share of the savings came from not having to use the budgeted amounts for contingency. Significant savings were also realized as result of a freeze on discretionary spending implemented as a result of the reduction in the State Basic School Support Fund.

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, 2009, the District had invested over \$256.2 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
	2009	2008	Fiscal 2008
Land	\$ 30,719	\$ 30,719	\$ 0
Buildings and improvements	181,202	171,515	9,687
Vehicles & equipment	4,142	3,397	745
Construction in progress	<u>40,161</u>	<u>11,291</u>	<u>28,870</u>
Total	\$ 256,225	\$ 216,922	\$ 39,303

During the year, the District's investment in capital assets increased by \$39.3 million. The major capital asset events for the year include the following:

- ❖ Construction in progress for the construction of three elementary schools, one new middle school and the remodel of two middle schools.

Additional information regarding the District's capital assets can be found on page 26 of this report.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2009

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$373 million, consisting of general obligation bonds, certificate of participation notes, post retirement obligations and PERS pension bonds net of unamortized premium/discount.

Hillsboro School District 1J			
Outstanding Debt			
(in thousands)			
	Governmental activities		Increase/ Decrease from Fiscal 2008
	2009	2008	
General Obligation Bonds	265,498	278,763	(13,265)
Certificates of Participation	4,487	4,827	(340)
PERS Pension Bonds	102,330	102,740	(410)
Post Retirement Obligations	936	14,909	(13,973)
Total	<u>\$ 373,251</u>	<u>\$ 401,239</u>	<u>\$ (27,988)</u>

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 27 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, 2009, the State School Fund – General Support provided 50.1 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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2009

During the 2008-09 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.

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 and discretionary spending. 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.

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 which are likely 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 2008-09 increased by 408 students from 2007-08.

REQUESTS FOR INFORMATION

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

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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

STATEMENT OF NET ASSETS**JUNE 30, 2009**

	Governmental Activities	Component Unit
<u>ASSETS:</u>		
Cash and investments	\$ 81,851,420	\$ 77,294
Receivables	7,561,105	-
Supply Inventory	262,111	-
Prepaid PERS unfunded liability	95,741,361	-
Bond issuance costs, net of accumulated amortization	204,214	-
Prepaid Items	356,694	7,000
Net pension asset	75,430	-
Capital assets:		
Not being depreciated	70,880,177	-
Being depreciated, net of accumulated depreciation	185,344,473	39,157
TOTAL ASSETS	442,276,985	123,451
<u>LIABILITIES:</u>		
Accounts payable	6,195,114	12,053
Accrued payroll, payroll taxes and employee withholdings	10,042,300	39,709
Accrued interest payable	685,316	-
Construction Retainage	1,652,063	-
Unearned revenue	242,213	-
Accrued compensated absences payable	447,427	-
Long-term debt:		
Due within one year	16,444,128	-
Due in more than one year	356,807,530	-
TOTAL LIABILITIES	392,516,091	51,762
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	36,339,608	39,157
Restricted for debt service	5,880,421	-
Restricted for capital projects	39,421,641	-
Unrestricted	(31,880,776)	32,532
TOTAL NET ASSETS	\$ 49,760,894	\$ 71,689

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, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Instruction	\$ 122,478,716	\$ 4,021,721	\$ 12,342,037	\$ -	\$ (106,114,958)	\$ 15,821
Support services	86,269,378	168,919	2,379,115	-	(83,721,344)	11,491
Community services:	9,457,828	2,041,711	5,267,264	71,062	(2,077,791)	-
Unallocated depreciation	-	-	-	-	-	(23,010)
Interest on long-term debt	17,905,207	-	-	-	(17,905,207)	-
Total	<u>\$ 236,111,129</u>	<u>\$ 6,232,351</u>	<u>\$ 19,988,416</u>	<u>\$ 71,062</u>	<u>(209,819,300)</u>	<u>4,302</u>

GENERAL REVENUES:

Property taxes levied for general purposes	48,193,154	-
Property taxes levied for debt service	21,845,630	-
State School Fund - General Support	103,156,724	-
Earnings on investments	3,229,021	-
Miscellaneous	10,750,349	1,644
Total general revenues	<u>187,174,878</u>	<u>1,644</u>

CHANGE IN NET ASSETS	(22,644,422)	5,946
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RESTATEMENT OF NET ASSETS	14,909,109	-
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NET ASSETS, July 1, 2008	<u>57,496,207</u>	<u>65,744</u>
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NET ASSETS, June 30, 2009	<u>\$ 49,760,894</u>	<u>\$ 71,689</u>
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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, 2009**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<u>ASSETS</u>					
Cash and investments	\$ 30,067,771	\$ 505,035	\$ 5,665,830	\$ 45,612,784	\$ 81,851,420
Receivables	2,671,930	3,521,743	1,109,788	257,644	7,561,105
Supply Inventory	26,788	235,323	-	-	262,111
Prepaid Items	356,694	-	-	-	356,694
TOTAL ASSETS	33,123,183	4,262,101	6,775,618	45,870,428	90,031,330
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	1,197,778	186,612	14,000	4,796,724	6,195,114
Accrued payroll, payroll taxes and employee withholdings	10,042,300	-	-	-	10,042,300
Construction retainage	-	-	-	1,652,063	1,652,063
Deferred tax revenue	1,841,527	-	881,197	-	2,722,724
Unearned revenue	-	242,213	-	-	242,213
TOTAL LIABILITIES	13,081,605	428,825	895,197	6,448,787	20,854,414
<u>FUND BALANCES:</u>					
Reserved for inventory and prepaids	383,482	235,323	-	-	618,805
Reserved for scholarships	-	-	-	-	-
Reserved for student activities	-	-	-	-	-
Reserved for debt service	-	-	5,880,421	-	5,880,421
Reserved for capital construction	-	-	-	39,421,641	39,421,641
Unreserved	19,658,096	3,597,953	-	-	23,256,049
TOTAL FUND BALANCES	20,041,578	3,833,276	5,880,421	39,421,641	69,176,916
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,123,183	\$ 4,262,101	\$ 6,775,618	\$ 45,870,428	\$ 90,031,330

The accompanying notes are an integral part of this statement

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS**JUNE 30, 2009****TOTAL FUND BALANCES** \$ 69,176,916

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

Capital Assets	\$ 362,230,426	
Accumulated depreciation	<u>(106,005,776)</u>	256,224,650

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.	2,722,724
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The District sold pension bonds to prepay a long-term unfunded liability for current expenditures, therefore, is not reported in the governmental funds	95,741,361
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The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds	204,214
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Net pension Asset	75,430
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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	\$ (685,316)	
Net OPEB obligation	(936,437)	
Bonds payable (net of premium and discount)	(265,497,826)	
Certificates of participation payable	(4,487,395)	
PERS Pension Bonds Payable	(102,330,000)	
Accrued compensated absences payable	<u>(447,427)</u>	<u>(374,384,401)</u>

TOTAL NET ASSETS \$ 49,760,894

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, 2009**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:					
Local sources:					
Property taxes	\$ 47,770,895	\$ -	\$ 21,654,223	\$ -	\$ 69,425,118
Charges for services	559,895	7,705,171	-	-	8,265,066
Earnings on investments	646,203	18,240	193,273	2,371,305	3,229,021
Other	1,109,226	-	5,179,117	655,786	6,944,129
Intermediate sources	1,671,293	71,062	-	-	1,742,355
State sources	100,387,348	1,369,376	-	1,400,000	103,156,724
Federal sources	3,935,384	16,151,634	-	-	20,087,018
Total Revenues	<u>156,080,244</u>	<u>25,315,483</u>	<u>27,026,613</u>	<u>4,427,091</u>	<u>212,849,431</u>
EXPENDITURES:					
Current:					
Instruction	94,766,327	8,659,387	-	-	103,425,714
Support services	64,152,921	8,593,355	-	-	72,746,276
Enterprise and community services	223,950	7,822,650	-	-	8,046,600
Facilities & Acquisition					
Capital outlay	-	61,011	-	66,589,904	66,650,915
Debt service:					
Other	-	-	30,931	-	30,931
Principal	355,000	-	14,175,000	-	14,530,000
Interest	184,138	-	17,767,806	-	17,951,944
Total Expenditures	<u>159,682,336</u>	<u>25,136,403</u>	<u>31,973,737</u>	<u>66,589,904</u>	<u>283,382,380</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,602,092)</u>	<u>179,080</u>	<u>(4,947,124)</u>	<u>(62,162,813)</u>	<u>(70,532,949)</u>
OTHER FINANCING SOURCES, (USES)					
Sale or Compensation for loss of capital asset	3,610	-	-	-	3,610
Total Other Financing Sources, (Uses)	<u>3,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,610</u>
NET CHANGE IN FUND BALANCE	<u>(3,598,482)</u>	<u>179,080</u>	<u>(4,947,124)</u>	<u>(62,162,813)</u>	<u>(70,529,339)</u>
FUND BALANCES, July 1, 2008	<u>23,640,060</u>	<u>3,654,196</u>	<u>10,827,545</u>	<u>101,584,454</u>	<u>139,706,255</u>
FUND BALANCES, June 30, 2009	<u>\$ 20,041,578</u>	<u>\$ 3,833,276</u>	<u>\$ 5,880,421</u>	<u>\$ 39,421,641</u>	<u>\$ 69,176,916</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 THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

NET CHANGES IN FUND BALANCES **\$ (70,529,339)**

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

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

Expenditures capitalized, net	\$ 46,754,281	
Depreciation, net	<u>(7,451,136)</u>	39,303,145

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

Amortization of issuance costs, net	(96,482)
Amortization prepaid pension costs	(5,039,024)

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

46,737

Net pension Asset

75,430

Net OPEB obligation

(936,437)

Repayment of bond 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.

14,014,911

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.

613,666

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.

(97,029)

CHANGE IN NET ASSETS

\$ (22,644,422)

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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local sources:				
Property taxes	\$ 47,861,400	\$ 47,861,400	\$ 47,770,895	\$ (90,505)
Charges for services	800,000	800,000	559,895	(240,105)
Earnings on investments	1,235,000	1,235,000	646,203	(588,797)
Other	517,500	517,500	1,109,226	591,726
Intermediate sources	2,700,000	2,700,000	1,671,293	(1,028,707)
State sources	102,206,074	100,545,925	100,387,348	(158,577)
Federal sources	-	-	3,935,384	3,935,384
Total Revenues	155,319,974	153,659,825	156,080,244	2,420,419
EXPENDITURES:				
Current:				
Instruction	100,921,636	99,924,643 (1)	94,766,327	5,158,316
Support services	65,095,164	64,432,008 (1)	64,152,921	279,087
Enterprise Funds	299,450	299,450 (1)	223,950	75,500
Debt Service	553,724	553,724 (1)	539,138	14,586
Contingency	2,500,000	2,500,000 (1)	-	2,500,000
Total Expenditures	169,369,974	167,709,825	159,682,336	8,027,489
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,050,000)	(14,050,000)	(3,602,092)	10,447,908
OTHER FINANCING SOURCES, (USES)				
Transfers from other Funds	1,500,000	1,500,000	-	(1,500,000)
Sale or Compensation for loss of capital asset	100,000	100,000	3,610	(96,390)
Total Other Financing Sources, (Uses)	1,600,000	1,600,000	3,610	(1,596,390)
NET CHANGE IN FUND BALANCE	(12,450,000)	(12,450,000)	(3,598,482)	8,851,518
FUND BALANCES, July 1, 2008	20,950,000	20,950,000	23,640,060	2,690,060
FUND BALANCES, June 30, 2009	\$ 8,500,000	\$ 8,500,000	\$ 20,041,578	\$ 11,541,578

(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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Charges for services	\$ 6,541,973	\$ 6,541,973	\$ 7,705,171	\$ 1,163,198
Earnings on investments	110,511	110,511	18,240	(92,271)
Other	2,470,488	3,069,425	-	(3,069,425)
Intermediate sources	150,000	72,940	71,062	(1,878)
State sources	1,151,535	1,554,944	1,369,376	(185,568)
Federal sources	18,300,390	18,996,534	16,151,634	(2,844,900)
Total Revenues	28,724,897	30,346,327	25,315,483	(5,030,844)
EXPENDITURES:				
Current:				
Instruction	15,170,000	15,762,098 (1)	8,659,387	7,102,711
Support services	7,762,500	8,382,673 (1)	8,593,355	(210,682)
Enterprise and community services	7,769,462	8,178,621 (1)	7,822,650	355,971
Capital Outlay	250,000	250,000 (1)	61,011	188,989
Total Expenditures	30,951,962	32,573,392	25,136,403	7,436,989
NET CHANGE IN FUND BALANCE	(2,227,065)	(2,227,065)	179,080	2,406,145
FUND BALANCES, July 1, 2008	2,347,065	2,347,065	3,654,196	1,307,131
FUND BALANCES, June 30, 2009	\$ 120,000	\$ 120,000	\$ 3,833,276	\$ 3,713,276

(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, 2009

	<u>Pension Trust Fund</u>	<u>PERS Reserve Fund</u>
ASSETS:		
Cash and investments	<u>\$ 839,644</u>	<u>\$ 1,500,000</u>
NET ASSETS:		
Held in trust for post employment benefits	<u>\$ 839,644</u>	
Held in trust for increased PERS cost in 2009-11		<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, 2009

	<u>Pension Trust Fund</u>	<u>PERS Reserve Fund</u>
ADDITION:		
Employer contributions	<u>\$ 200,000</u>	<u>\$ -</u>
DEDUCTION:		
Post employment benefits	<u>137,676</u>	<u>-</u>
INCREASE/DECREASE IN NET ASSETS	62,324	-
NET ASSETS - held in trust - July 1, 2008	<u>777,320</u>	<u>1,500,000</u>
NET ASSETS - held in trust - June 30, 2009	<u><u>\$ 839,644</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, 2009

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 is under the supervision of the Superintendent-Clerk. As required by generally accepted accounting principles, all activities 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.

There is 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 (Continued)

YEAR ENDED JUNE 30, 2009

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 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 minimum numbers of funds are maintained consistent with legal and managerial requirements.

There are the following major funds:

General Fund. This fund is the 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 (Continued)

YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The following fund types are also reported:

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 the accumulation of resources to be used to help pay for future increases in PERS rates.

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 policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

For the purposes of government-wide financial statements, Financial Accounting Standards Board (FASB) statements and interpretations of Accounting Principles Board Opinions and Accounting Research Bulletins, issued on or before November 30, 1989 are followed, 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. All revenues reported in the governmental funds are considered to be available if they are collected within 60 days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

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 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 value in the pool shares.

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

Property Taxes

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are payable on November 15, February 15, and May 15. Discounts are

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

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. Capital assets are defined 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 (Continued)

YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no 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 \$447,427.

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 either the General or Special Revenue 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 (Continued)

YEAR ENDED JUNE 30, 2009

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% of the fund's original budget may be adopted by the Board of Directors at a regular meeting. A supplemental budget greater than 10% 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 Special Revenue Fund, Support services were overexpended by \$210,682, Debt Service Fund, Expenditures were overexpended by \$345,911.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, depreciation is not calculated, property taxes are recorded as revenue when received, inventories of supplies are budgeted as expenditures when purchased and debt is expensed as paid instead of when incurred and debt is recorded as revenue when proceeds are received instead of a liability.

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 Treasury.

Credit risk – Deposits

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, 2009, the bank balance of \$40,376,207 was either insured by FDIC or covered by collateral. At June 30, 2009, the credit union balance totaled \$100,619. Of this amount, \$619 was exposed to custodial credit risk because it was uninsured. No bank deposits were exposed to custodial credit risk because they were held at an approved depository as identified by Oregon State Treasury.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

2. CASH AND INVESTMENTS (Continued)

Cash and investments are comprised of:

Cash on hand	\$	2,400
Deposits with financial institutions:		
Demand deposits		17,159,646
Money market		20,631,028
Certificates of Deposit		1,262,180
Investments (Banker's acceptance and LGIP)		45,135,810
Total	\$	<u>84,191,064</u>

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

Statement of Net Assets:

Cash and investments	\$	81,851,420
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Statement of Fiduciary Net Assets:

Cash and investments		2,339,644
Total	\$	<u>84,191,064</u>

INVESTMENTS

Policy is to follow state statutes governing cash management. Statutes authorize investing in banker's 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, 2009.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

2. CASH AND INVESTMENTS (Continued)

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. As of June 30, 2009 the fair value of the position in the LGIP is 99.11% 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 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, banker's acceptances, commercial paper, State of Oregon and local government securities, and the State Treasurer's investment pool. The State Treasurer's investment policies are government by Oregon Revised Statutes and the Oregon Short-Term Fund Board (OSTFB).

As of June 30, 2009, there were 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	\$ 5,661,383	\$ 4,290,958	\$ 1,370,425	\$ -
U.S. Government Agency FICO	1,866,515	-	1,866,515	-
U.S. Government Agency FHLB	9,102,839	-	9,102,839	-
U.S. Government FNMA	3,478,920	-	3,478,920	-
State Treasurer's Investment Pool	25,026,153	25,026,153	-	-
Total	<u>\$ 45,135,810</u>	<u>\$ 29,317,111</u>	<u>\$ 15,818,699</u>	<u>\$ -</u>

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk – As a means of limiting exposure to fair value losses resulting from rising interest rates, the 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.

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 investments in U.S. Government Agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investor Service. The State Pool is unrated.

Oregon Revised Statutes require banker's acceptances to be guaranteed by and carried on the books of a qualified financial institution, eligible for discount by Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

Concentration of Credit Risk – To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the District's investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2009, there was compliance with all percentage restrictions.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

2. CASH AND INVESTMENTS (Continued)

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 FHLMC	12.54%	100%
U.S. Government Agency FICO	4.13%	100%
U.S. Government Agency FHLB	20.17%	100%
U.S. Government FNMA	7.70%	100%
State Treasurer's Investment Pool	55.46%	100%

3. RECEIVABLES

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

Receivables are comprised of the following:

Property taxes	\$	3,133,153
Cash with County		317,752
Grants		3,455,332
Interest and other		654,868
Total	\$	<u>7,561,105</u>

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

<u>Capital Assets Year Ended June 30, 2008</u>	<u>July 1, 2008</u>	<u>Increase</u>	<u>Retirements</u>	<u>June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 30,719,033	\$ -	\$ -	\$ 30,719,033
CIP	11,290,907	40,161,144	(11,290,907)	40,161,144
Total capital assets not being depreciated	42,009,940	40,161,144	(11,290,907)	70,880,177
Capital assets being depreciated:				
Building and improvements	237,627,225	14,291,154	-	251,918,379
Original furniture and fixtures	23,183,038	1,015,518	-	24,198,556
Equipment	2,281,531	106,545	-	2,388,076
Motor vehicles	9,680,868	1,800,246	-	11,481,114
Information technology equipment	693,543	670,581	-	1,364,124
Total capital assets being depreciated	273,466,205	17,884,044	-	291,350,249
Less accumulated depreciation for:				
Building and improvements	(70,217,979)	(5,828,262)	-	(76,046,241)
Original furniture and fixtures	(19,077,720)	(288,544)	-	(19,366,264)
Equipment	(1,773,590)	(116,452)	-	(1,890,042)
Motor vehicles	(7,326,593)	(907,004)	-	(8,233,597)
Information technology equipment	(158,758)	(310,874)	-	(469,632)
Total accumulated depreciation	(98,554,640)	(7,451,136)	-	(106,005,776)
Total capital assets being depreciated, net	174,911,565	10,432,908	-	185,344,473
Total capital assets, net	\$ 216,921,505	\$ 50,594,052	\$ (11,290,907)	\$ 256,224,650

The Hillsboro School District opened three new elementary schools for the fall of 2008, another elementary and middle school will open in the fall of 2009. The opening of these new schools for the 2009-10 school year will complete 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 (Continued)

YEAR ENDED JUNE 30, 2009

4. CAPITAL ASSETS (Continued)

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

PROGRAM	<u>DEPRECIATION</u>
Regular Programs	\$ -
Special Programs	-
Business Services	6,735,266
Central Activities	599,418
Enterprise and Community Services	-
Food Service	116,452
Community Services	-
Total Depreciation	<u>\$ 7,451,136</u>

5. COMPENSATED ABSENCES

Activity for compensated absences, all of which are considered due within one year, for the year ended June 30, 2009 as follows:

Balance July 1, 2008	\$ 350,398
Additions	447,427
Payments	(350,398)
Balance June 30, 2009	<u>\$ 447,427</u>

6. LONG-TERM DEBT

Long-term debt is comprised of:

Bonds payable	\$ 265,497,826
Certificates of participation	4,487,395
Net OPEB obligation	936,437
PERS Pension Bonds	102,330,000
Balance June 30, 2009	<u>\$ 373,251,658</u>
Due within one year	\$ 16,444,128
Due in more than one year	<u>\$ 356,807,530</u>

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

6. LONG-TERM DEBT (Continued)

Bonds Payable

Bonds payable transactions for the year are as follows:

Description	Original Issue	Outstanding July 1, 2008	Additions	Matured and Redeemed	Outstanding June 30, 2009	Due Within One Year
Hillsboro Elementary District No 7, issued April 1, 1993, interest at 2.7-5.1%	3,830,000	350,000	-	350,000	-	-
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	1,190,000	-	415,000	775,000	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	17,680,000	-	2,165,000	15,515,000	2,270,000
Hillsboro School District 1J, issued March 1999, partially refunded May 2005, interest rate 4.0-5.3%	37,300,000	1,905,000	-	1,905,000	-	-
Hillsboro School District 1J, issued February 6, 2001 and partially refunded May 2005, interest rate 3.8-5.1%	98,000,000	14,280,000	-	4,530,000	9,750,000	4,755,000
Hillsboro School District 1J refunding issue May 2005, interest 3.7-5.12%	78,055,000	74,900,000	-	315,000	74,585,000	2,675,000
Hillsboro School District 1J issued December 19, 2006, interest at 4.0-5.0%	168,996,712	168,996,712	-	4,085,000	164,911,712	4,840,000
Total		279,301,712	-	13,765,000	265,536,712	14,935,000
Unamortized Premium		539,117	-	500,231	38,886	38,886
Grand Total		278,762,595	-	14,265,231	265,497,826	14,896,114

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Future maturities of bond principal and interest are as follows:

<u>Fiscal Year Ending June 30, 2008</u>	<u>Principal</u>	<u>Interest</u>
2009-10	\$ 14,920,000	\$ 12,312,570
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
2014-2019	92,300,000	32,108,150
2019-2024	69,210,000	12,565,750
2024-2025	19,041,712	16,953,288
TOTAL	\$ 265,536,712	\$ 115,724,379

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 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 of Oregon was required as a condition of issuance; therefore, a portion of State School Support is withheld on a monthly basis to repay debt.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)YEAR ENDED JUNE 30, 2009**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 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 future required contribution rate.

Description	Outstanding July 1, 2008	Increases	Decreases	Outstanding June 30, 2009	Due Within One Year
Certificate of Participation	\$ 4,995,000	\$ -	\$ (355,000)	\$ 4,640,000	\$ 335,000
Unamortized Discount	(167,463)	-	14,858	(152,605)	(14,858)
Net COPs	<u>4,827,537</u>	<u>-</u>	<u>(340,142)</u>	<u>4,487,395</u>	<u>320,142</u>
PERS Pension Bonds	102,740,000	-	(410,000)	102,330,000	730,000
Grand Total	<u>\$ 107,567,537</u>	<u>\$ -</u>	<u>\$ (750,142)</u>	<u>\$ 106,817,395</u>	<u>\$ 1,050,142</u>

Advance Refunding Bonds. On May 29, 2008, \$4,390,000 in Series 2008, Full Faith and Credit Refunding Obligations were issued that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$4,170,000 of Full Faith Credit Obligations. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments by \$282,708 and resulted in an economic gain of \$234,413.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

6. LONG-TERM DEBT (Continued)

Other Long-Term Debt (Continued)

Future maturities of principal are as follows:

<u>Fiscal Year Ending June 30, 2009</u>	<u>Principal</u>	<u>Interest</u>
2009-10	\$ 1,065,000	\$ 4,993,889
2010-11	1,435,000	4,946,388
2011-12	1,830,000	4,886,223
2012-13	2,250,000	4,808,644
2013-14	2,705,000	4,712,217
2014-2019	21,675,000	21,286,801
2019-2024	37,310,000	16,191,341
2024-2028	<u>38,700,000</u>	<u>4,292,380</u>
TOTAL	<u>\$ 106,970,000</u>	<u>\$ 66,117,883</u>

7. INTERFUND TRANSFERS

There were no Interfund Transfers made during the 2008-09 fiscal year.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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 had to retire 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 will finalize the phase out in June 2008.
- ❖ Administrative personnel are not required to retire prior to June 30, 2004 but must meet the longevity and PERS criteria.
- ❖ The District will pay eligible employees a monthly stipend of \$500 for four years or until the employee reaches age 62 (for licensed employees) and age 65 (for administrative employees), whichever occurs first.
- ❖ For individual employees and retired employees of certain predecessor Districts, the requirements for these benefits vary, but generally follow the benefits being paid under the current early retirement plans, plus group insurance coverage.

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 newly 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 \$137,676. The District covers these obligations through annual appropriations on a pay-as-you-go basis.

Program membership at year-end was 0 licensed, 0 classified and 8 administrators.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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 of the employer (ARC), 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, 2009, the amount actually contributed to the plan, and changes in the net pension obligation:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Annual required contribution	N/A	\$ 223,320	\$ 37,168
Interest on net pension obligation	N/A	-	(1,862)
Adjustment to ARC for Net Pension Obligation	N/A	-	6,567
Annual pension cost (APC)	N/A	223,320	41,873
Expected Contributions	N/A	(269,880)	(70,743)
Increase (Decrease) in net pension obligation	N/A	(46,560)	(28,870)
Net Pension Obligation (Asset) at beginning of year	N/A	-	(46,560)
Net Pension Obligation (Asset) at end of year	N/A	\$ (46,560)	\$ (75,430)
Percentage of APC contributed	N/A	121%	190%

Actuarial Methods and Assumptions:

The annual required contribution (ARC) for the current year was determined as part of the July 1, 2007 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%, (b) overall payroll growth of 3.75% per year; and (c) retirement rate assumptions. Amounts determined regarding the funded status of the plan and the 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.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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) is 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, 2008, the actuarial accrued liability for benefits was \$457,482, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$457,482. The covered payroll is unavailable. The Annual Required Contribution (ARC) for June 30, 2009 was actuarially determined to be \$37,168.

The Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>PUC Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	\$ -	\$ 457,482	\$ 457,482	N/A	N/A	N/A
6/30/2009	N/A	N/A	N/A	N/A	N/A	N/A

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 newly 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 Statue.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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 of the employer (ARC), 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 OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and changes in the net OPEB obligation:

	2007	2008	2009
Annual required contribution	N/A	\$ 824,475	\$ 824,475
Interest on net OPEB obligation	N/A	-	20,010
Adjustment to annual required contribution	N/A	-	(17,261)
Annual OPEB cost	N/A	824,475	827,224
Contributions made	N/A	(324,247)	(391,015)
Increase (Decrease) in net OPEB obligation	N/A	500,228	436,209
Net OPEB Obligation (Asset) at beginning of year	N/A	-	500,228
Net OPEB Obligation (Asset) at end of year	N/A	\$ 500,228	\$ 936,437
Percentage of APC contributed	N/A	39%	47%

Actuarial Methods and Assumptions:

The annual required contribution (ARC) for the current year was determined as part of the July 1, 2007 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%, (b) overall payroll growth of 3.75% per year; and (c) retirement rate assumptions. Amounts determined regarding the funded status of the plan and the 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.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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

Funding Status and Funding Progress:

As of June 30, 2008, the actuarial accrued liability for benefits was \$6,752,655, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,752,655. The covered payroll is unavailable. The Annual Required Contribution (ARC) for June 30, 2009 was actuarially determined to be \$824,475.

The Schedule of Funding Progress:

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

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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, 2008 is 8.19% of salary covered under the plan for Tier 1 and Tier 2 employees and 10.46% 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 retirement plan with two components: the Pension Program (defined benefit; established, and maintained as a tax-qualified governmental defined benefit plan) and the Individual Account Program (defined contribution, established and maintained as a tax-qualified governmental defined contribution plan). OPSRP is administered by PERS.

The contributions to PERS for the years ended June 30, 2009, 2008, and 2007 were approximately \$15,334,833, \$12,898,263, and \$11,752,738, respectively, equal to the required contributions for each year.

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

10. RISK MANAGEMENT

There is exposure 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 ended June 30, 2009.

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. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although 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 management, the resolution of these matters will not have a material adverse effect on the financial condition.

A substantial portion of operating funding is received from the State of Oregon. State funding is determined through state wide 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 either increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on the operations cannot be determined.

12. RESTATEMENT OF NET ASSETS

A \$14,909,109 restatement of net assets was made in the Statement of Activities. This was due to updated actuarial information pertaining to Other Postemployment Benefits.

13. PREPAID PENSION ASSET

PERS UAL was prepaid with a lump sum payment of \$100,780,385 in a prior year. As of June 30, 2009, \$95,741,361 was reported as Prepaid PERS UAL, which is net of amortization.

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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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Taxes - current year's levy	\$ 21,317,151	\$ 21,317,151	\$ 21,214,352	\$ (102,799)
Taxes- prior years' levies	508,500	508,500	439,871	(68,629)
Taxes- penalties and interest	51,200	51,200	26,036	(25,164)
Interest on investments	458,500	458,500	193,273	(265,227)
Miscellaneous	4,631,637	4,631,637	5,153,081	521,444
Total local sources	26,966,988	26,966,988	27,026,613	59,625
Federal sources:				
Other revenue in lieu of taxes	3,600	3,600	-	(3,600)
Total revenues	26,970,588	26,970,588	27,026,613	56,025
EXPENDITURES:				
Other sources:				
Debt service:				
Principal	13,860,000	13,860,000	14,175,000	(315,000)
Other	-	-	30,931	(30,931)
Interest	17,767,826	17,767,826	17,767,806	20
Total expenditures	31,627,826	31,627,826 (1)	31,973,737	(345,911)
NET CHANGE IN FUND BALANCE	(4,657,238)	(4,657,238)	(4,947,124)	(289,886)
FUND BALANCE, July 1, 2008	9,362,000	9,362,000	10,827,545	1,465,545
FUND BALANCE, June 30, 2009	\$ 4,704,762	\$ 4,704,762	\$ 5,880,421	\$ 1,175,659

(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, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Interest on investments	\$ 5,150,000	\$ 5,150,000	\$ 2,371,305	\$ (2,778,695)
Miscellaneous	-	-	655,786	655,786
Total Local Sources	<u>5,150,000</u>	<u>5,150,000</u>	<u>3,027,091</u>	<u>(2,122,909)</u>
State sources:				
Other State Sources	-	-	1,400,000	1,400,000
Total Revenues	<u>5,150,000</u>	<u>5,150,000</u>	<u>4,427,091</u>	<u>(722,909)</u>
EXPENDITURES:				
Facilities acquisition and construction:				
Service area direction:				
Salaries and wages	600,000	600,000	425,264	174,736
Employee benefits	240,000	240,000	126,566	113,434
Purchased services	4,200,000	4,200,000	4,441	4,195,559
Supplies and materials	100,000	100,000	3,527	96,473
Building acquisition and construction:				
Salaries and wages	-	-	5,870	(5,870)
Employee benefits	-	-	765	(765)
Purchased services	4,550,000	4,550,000	6,425,039	(1,875,039)
Supplies and materials	-	-	1,997,465	(1,997,465)
Capital outlay	81,360,000	81,360,000	56,811,511	24,548,489
Other	1,500,000	1,500,000	789,456	710,544
Total facilities acquisition and construction	<u>92,550,000</u>	<u>92,550,000</u>	<u>(1) 66,589,904</u>	<u>25,960,096</u>
NET CHANGE IN FUND BALANCE	<u>(87,400,000)</u>	<u>(87,400,000)</u>	<u>(62,162,813)</u>	<u>25,237,187</u>
FUND BALANCE, July 1, 2008	<u>87,400,000</u>	<u>87,400,000</u>	<u>101,584,454</u>	<u>14,184,454</u>
FUND BALANCE, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,421,641</u>	<u>\$ 39,421,641</u>

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

PENSION-TRUST FUND**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Charges to other funds	\$ 200,000	\$ 200,000	\$ 200,000	\$ -
EXPENDITURES:				
Support services:				
Early retirement program:				
Salaries and wages	400,000	400,000	123,500	276,500
Employee benefits	150,000	150,000	14,176	135,824
Total expenditures	550,000	550,000	(1) 137,676	412,324
NET CHANGE IN FUND BALANCE	(350,000)	(350,000)	62,324	412,324
FUND BALANCE, July 1, 2008	350,000	350,000	777,320	427,320
FUND BALANCE, June 30, 2009	\$ -	\$ -	\$ 839,644	\$ 839,644

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF BONDED DEBT TRANSACTIONS**FOR THE YEAR ENDED JUNE 30, 2009**

Issue Date			Interest		
	Outstanding June 30, 2008	Matured and Redeemed	Outstanding June 30, 2009	Interest Coupon Rates	Matured and Redeemed
Hillsboro Elementary School District No. 7:					
April 1, 1993	\$ 350,000	\$ 350,000	\$ -	2.7 to 5.1%	\$ 17,850
Reedville School District No. 29:					
August 1, 1993	1,130,000	355,000	775,000	4.5 to 5.2%	49,540
July 1, 1994	60,000	60,000	-	5.4 to 5.8%	3,480
Hillsboro School District 1J:					
March 1, 1993	17,680,000	2,165,000	15,515,000	4.0 to 5.0%	827,431
March 1, 1999	1,905,000	1,905,000	-	4.0 to 5.3%	81,915
February 1, 2001	14,280,000	4,530,000	9,750,000	3.8 to 5.1%	714,000
May, 2005	74,900,000	315,000	74,585,000	3.0 to 5.1%	3,871,013
November, 2006	168,996,712	4,085,000	164,911,712	-	7,380,940
	<u>\$ 279,301,712</u>	<u>\$ 13,765,000</u>	<u>\$ 265,536,712</u>	<u>-</u>	<u>\$ 12,946,169</u>
PERS Pension Bonds					
June 21, 2005	<u>\$ 102,740,000</u>	<u>\$ 410,000</u>	<u>\$ 102,330,000</u>	<u>3.7 to 4.8%</u>	<u>\$ 4,821,637</u>

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HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS**JUNE 30, 2009****PRINCIPAL****Hillsboro Elementary**

Fiscal Year	Total	April 1, 1993	August 1, 1993	July 1, 1994
2009-2010	\$ 14,920,000	\$ -	\$ 380,000	\$ -
2010-2011	16,505,000	-	395,000	-
2011-2012	16,535,000	-	-	-
2012-2013	17,815,000	-	-	-
2013-2014	19,210,000	-	-	-
2014-2019	92,300,000	-	-	-
2019-2024	69,210,000	-	-	-
2024-2028	19,041,712	-	-	-
	\$ 265,536,712	\$ -	\$ 775,000	\$ -

INTEREST

Fiscal	Total	April 1, 1993	August 1, 1993	July 1, 1994
2009-2010	\$ 12,312,570	\$ -	\$ 30,420	\$ -
2010-2011	11,607,983	-	10,270	-
2011-2012	10,844,988	-	-	-
2012-2013	10,078,850	-	-	-
2013-2014	9,252,800	-	-	-
2014-2019	32,108,150	-	-	-
2019-2024	12,565,750	-	-	-
2024-2028	16,953,288	-	-	-
	\$ 115,724,379	\$ -	\$ 40,690	\$ -

PRINCIPAL

Hillsboro School District 1J

March 1, 1998	March 1, 1999	February 6, 2001	May 26, 2005	December 19, 2006
\$ 2,270,000	\$ -	\$ 4,755,000	\$ 2,675,000	\$ 4,840,000
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	-	-	43,245,000	46,135,000
-	-	-	-	69,210,000
-	-	-	-	19,041,712
\$ 15,515,000	\$ -	\$ 9,750,000	\$ 74,585,000	\$ 164,911,712

INTEREST

March 1, 1998	March 1, 1999	February 6, 2001	May 26, 2005	December 19, 2006
\$ 721,838	\$ -	\$ 487,500	\$ 3,855,263	\$ 7,217,549
602,500	-	249,750	3,721,513	7,023,950
479,875	-	-	3,564,763	6,800,350
351,000	-	-	3,170,263	6,557,587
215,500	-	-	2,746,263	6,291,037
73,000	-	-	5,896,985	26,138,165
-	-	-	-	12,565,750
-	-	-	-	16,953,288
\$ 2,443,713	\$ -	\$ 737,250	\$ 22,955,050	\$ 89,547,676

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Tax Year</u>	<u>Uncollected July 1, 2008</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>
<u>GENERAL FUND</u>				
Current	2008-09	\$ -	\$ 49,546,581	\$ (1,237,709)
Prior	2007-08	1,143,889	-	1,746
	2006-07	279,408	-	403
	2005-06	104,045	-	285
	2004-05	42,580	-	64
	2003-04	11,744	-	16
	2003-Prior	26,426	-	5
Total prior		1,608,092	-	2,519
Total General Fund		<u>\$ 1,608,092</u>	<u>\$ 49,546,581</u>	<u>\$ (1,235,190)</u>
<u>DEBT SERVICE FUND</u>				
Current	2008-09	\$ -	\$ 22,378,347	\$ (559,027)
Prior	2007-08	739,029	-	1,129
	2006-07	93,989	-	135
	2005-06	36,399	-	100
	2004-05	16,327	-	24
	2003-04	4,400	-	6
	2003-Prior	11,787	-	2
Total prior		901,931	-	1,396
Total Debt Service Fund		<u>901,931</u>	<u>22,378,347</u>	<u>(557,631)</u>
TOTAL ALL FUNDS		<u>\$ 2,510,023</u>	<u>\$ 71,924,928</u>	<u>\$ (1,792,821)</u>

Interest	Adjustments	Collections	Uncollected June 30, 2009
\$ 16,979	\$ (94,313)	\$ (46,717,353)	\$ 1,514,185
45,078	(80,091)	(723,651)	386,971
22,072	(17,249)	(145,912)	138,722
16,933	(10,012)	(72,587)	38,664
8,153	(3,135)	(30,977)	16,685
1,217	(1,180)	(2,941)	8,856
3,320	(4,753)	(7,610)	17,388
96,773	(116,420)	(983,678)	607,286
<u>\$ 113,752</u>	<u>\$ (210,733)</u>	<u>\$ (47,701,031)</u>	<u>\$ 2,121,471</u>
 \$ 7,669	 \$ (42,598)	 \$ (21,100,490)	 \$ 683,901
29,152	(51,796)	(467,993)	249,521
7,394	(5,779)	(48,884)	46,855
5,924	(3,503)	(25,394)	13,526
3,126	(1,202)	(11,878)	6,397
456	(442)	(1,102)	3,318
1,331	(1,712)	(3,244)	8,164
47,383	(64,434)	(558,495)	327,781
55,052	(107,032)	(21,658,985)	1,011,682
<u>\$ 168,804</u>	<u>\$ (317,765)</u>	<u>\$ (69,360,016)</u>	<u>\$ 3,133,153</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 69,360,016
Accrued Prior Year	(400,965)
Accrued Current Year	409,582
Taxes in Lieu of Property Taxes	45,629
Penalties and Interest	10,856
Property Tax Revenue	<u>\$ 69,425,118</u>

Reported in:

General Fund	\$ 47,770,895
Debt Service Fund	21,654,223
	<u>\$ 69,425,118</u>

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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

ADDITIONAL SCHEDULES
(REQUIRED BY THE OREGON DEPARTMENT OF EDUCATION)

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF REVENUES**FOR THE YEAR ENDED JUNE 30, 2009**

	Fund 100	Fund 200	Fund 300
REVENUES:			
Revenue from local sources:			
1110 Ad Valorem taxes paid by District	\$ 47,740,833	\$ -	\$ 21,638,656
1114 Payments in Lieu of Property Taxes	30,062	-	15,567
1190 Penalties and Interest on taxes	57,147	-	26,036
1200 Revenue from Local Governments - CET	-	573,395	-
1310 Tuition	56,712	-	-
1330 Summer School Tuition	-	11,790	-
1400 Transportation Fees	83,361	-	-
1500 Earning on Investments	646,203	18,240	193,273
1600 Food Service	-	2,041,711	-
1700 Extracurricular Activities	419,823	3,450,036	-
1910 Rentals	168,919	-	-
1920 Contributions & Donations	-	1,300,178	-
1960 Recovery of Prior year	219,614	(20,540)	-
1970 Pension Bonds	-	-	5,153,081
1980 Fees charged to grants	341,928	-	-
1990 Miscellaneous	321,617	348,601	-
Total Revenue from local sources	50,086,219	7,723,411	27,026,613
Revenue from intermediate sources:			
2101 County School Funds	241,497	-	-
2103 ESD	350,227	-	-
2180 Strategic Investment program-unrestricted	1,079,569	-	-
2199 Other Intermediate Sources	-	-	-
2200 Restricted Revenue	-	71,062	-
Total Revenue from Intermediate Sources	1,671,293	71,062	-
Revenue from state sources:			
3101 State school fund - general support	85,083,559	-	-
3102 State school fund - school lunch match	-	82,021	-
3103 Common School fund	1,777,120	-	-
3104 State managed county timber	399,673	-	-
3105 State school fund - transportation grant	4,923,542	-	-
3199 Other restricted grants-in-aid	1,758,094	-	-
3204 Driver education	-	-	-
3222 State school fund transportation equipment	-	650,001	-
3299 Other restricted grants-in-aid	6,445,360	637,354	-
Total Revenue from state sources	100,387,348	1,369,376	-
Revenue from federal sources:			
4299 Unrestricted Revenue from federal government through the state	3,935,384	-	-
4300 Restricted Revenue from federal government	-	2,223,405	-
4500 Restricted Revenue from federal government through the state	-	12,962,369	-
4700 Restricted Revenue from federal government through intermediate sources	-	544,391	-
4899 Other revenue in lieu of taxes	-	-	-
4900 Revenue for/on behalf of the District	-	421,469	-
Total Revenue from federal sources	3,935,384	16,151,634	-
Revenue from other sources:			
5300 Sale or compensation for loss of fixed assets	3,610	-	-
5400 Resources - beginning fund balance	23,640,060	3,654,196	10,827,545
Total Revenue from other sources	23,643,670	3,654,196	10,827,545
TOTAL REVENUES	\$ 179,723,914	\$ 28,969,679	\$ 37,854,158

Fund 400	Fund 600	Fund 700	Total
\$ -	\$ -	\$ -	\$ 69,379,489
-	-	-	45,629
-	-	-	83,183
-	-	-	573,395
-	-	-	56,712
-	-	-	11,790
-	-	-	83,361
2,371,305	-	-	3,229,021
-	-	-	2,041,711
-	-	-	3,869,859
-	-	-	168,919
-	-	-	1,300,178
1,262	-	-	200,336
-	-	-	5,153,081
-	-	-	341,928
654,524	-	200,000	1,524,742
3,027,091	-	200,000	88,063,334
-	-	-	241,497
-	-	-	350,227
-	-	-	1,079,569
-	-	-	-
-	-	-	71,062
-	-	-	1,742,355
-	-	-	85,083,559
-	-	-	82,021
-	-	-	1,777,120
-	-	-	399,673
-	-	-	4,923,542
-	-	-	1,758,094
-	-	-	-
-	-	-	650,001
1,400,000	-	-	8,482,714
1,400,000	-	-	103,156,724
-	-	-	3,935,384
-	-	-	2,223,405
-	-	-	12,962,369
-	-	-	544,391
-	-	-	-
-	-	-	421,469
-	-	-	20,087,018
-	-	-	3,610
101,584,454	1,500,000	777,320	141,983,575
101,584,454	1,500,000	777,320	141,987,185
\$ 106,011,545	\$ 1,500,000	\$ 977,320	\$ 355,036,616

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF GENERAL FUND EXPENDITURES**FOR THE YEAR ENDED JUNE 30, 2009**

	Object 100	Object 200	Object 300
EXPENDITURES:			
Instruction:			
1111 Primary programs	\$ 15,570,827	\$ 7,008,408	\$ 198,185
1112 Intermediate programs	9,575,218	3,838,148	144,987
1113 Elementary extracurricular	2,588	383	-
1121 Middle School programs	6,557,805	2,595,576	45,450
1122 Middle School extracurricular	46,428	8,669	84
1131 High School programs	12,993,347	5,061,005	152,987
1132 High School extracurricular	1,708,396	425,273	256,530
1210 Talented and Gifted	133,813	42,076	36,575
1220 Students with disabilities-restricted	4,163,374	2,331,149	347,325
1250 Students with disabilities - less restricted	6,705,690	3,244,198	12,500
1271 Remediation	-	-	-
1272 Title 1	7,147	841	16
1280 Alternative Education	866,720	330,042	257,681
1288 Charter Schools	-	-	784,276
1290 Designated Programs	-	-	10
1291 English Second Language program	4,084,533	1,912,897	28,638
1292 Teen Parent program	140,768	125,497	211
1293 Migrant Education	-	-	-
1294 Youth corrections program	19,064	11,624	-
1400 Summer school programs	1,875	1,118	-
Total Instruction	62,577,593	26,936,904	2,265,455
Support services:			
2110 Attendance and social work services	833,216	423,233	363,819
2120 Guidance Services	3,301,185	1,290,093	145,730
2130 Health Services	425,201	272,730	11,255
2140 Psychological services	328,723	118,164	114,470
2150 Speech pathology services	891,408	325,482	220,108
2160 Other student treatment services	-	-	76,144
2190 Service direction, student special education	11,765	3,867	27,390
2210 Improvement of Instructional services	117,180	20,263	58,830
2220 Educational media services	1,109,236	597,542	4,953
2230 Assessment and testing	43,000	5,024	19,433
2240 Instructional staff development	228,406	63,566	110,635
2310 Board of Education services	57,171	12,248	76,885
2320 Executive administration services	727,598	249,523	154,134
2410 Office of the principal services	7,713,108	3,296,856	194,446
2490 Other support services school administration	1,678,649	636,796	108,235
2510 Direction of business support services	597,268	232,311	103,060
2520 Fiscal services	493,656	261,671	33,459
2540 Operation and maintenance of plant	2,535,060	1,222,099	13,020,552
2550 Student transportation services	5,146,173	3,005,860	254,710
2570 Internal services	298,649	146,258	(40,195)
2610 Direction of Central Support Services	-	-	141
2620 Planning, research, and development	-	-	-
2630 Information/production services	236,533	87,790	71,561
2640 Staff services	581,669	838,817	73,846
2660 Technology services	1,641,295	662,873	954,169
2670 Records management services	-	-	14,054
2700 Supplemental retirement services	-	200,000	-
Total Support Services	28,996,149	13,973,066	16,171,824
Enterprise Services			
3120 Food Services	21	3	-
3390 Other Community Services	136,295	55,143	31,689
Total Community Services	136,316	55,146	31,689
Debt service			
5110 Principal	-	-	-
Total Debt Service	-	-	-
TOTAL EXPENDITURES	\$ 91,710,058	\$ 40,965,116	\$ 18,468,968

Object 400	Object 500	Object 600	Total
\$ 725,231	\$ -	\$ 88	\$ 23,502,739
649,681	-	148	14,208,182
-	-	-	2,971
226,630	-	280	9,425,741
971	-	-	56,152
875,804	-	23,617	19,106,760
97,638	-	44,877	2,532,714
5,954	-	-	218,418
54,084	-	27,679	6,923,611
110,548	-	-	10,072,936
43	-	-	43
-	-	-	8,004
109,818	-	603	1,564,864
-	-	-	784,276
56	-	-	66
31,424	-	-	6,057,492
492	-	-	266,968
-	-	-	-
710	-	-	31,398
-	-	-	2,993
<u>2,889,084</u>	<u>-</u>	<u>97,292</u>	<u>94,766,327</u>
12,619	-	400	1,633,287
14,434	-	-	4,751,442
6,554	-	-	715,740
6,736	-	-	568,093
5,681	-	1,835	1,444,514
17	-	-	76,161
14,959	-	-	57,981
13,273	-	12,363	221,909
106,562	-	95	1,818,388
6,303	-	2,311	76,071
28,007	-	508	431,122
3,847	-	259,441	409,592
10,084	-	3,197	1,144,536
154,661	-	5,312	11,364,383
122,754	-	697	2,547,131
13,917	-	31,598	978,154
(4,401)	-	2,361	786,746
1,044,913	68,427	715,432	18,606,483
881,864	31,611	92,095	9,412,313
194,846	-	-	599,558
-	-	-	141
-	-	-	-
5,680	-	165	401,729
10,755	-	33,517	1,538,604
940,271	146,798	7,671	4,353,077
1,715	-	-	15,769
-	-	-	200,000
<u>3,596,051</u>	<u>246,836</u>	<u>1,168,998</u>	<u>64,152,921</u>
-	-	-	24
199	-	600	223,926
199	-	600	223,950
-	-	539,138	539,138
-	-	539,138	539,138
<u>\$ 6,485,334</u>	<u>\$ 246,836</u>	<u>\$ 1,806,028</u>	<u>\$ 159,682,336</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES**FOR THE YEAR ENDED JUNE 30, 2009**

		100	200	300
EXPENDITURES:				
Instruction:				
1111	Primary programs	\$ 116,527	\$ 30,194	\$ 8,703
1112	Intermediate programs	16,427	2,644	8,588
1113	Elementary extracurricular	55,276	18,641	10,213
1121	Middle school programs	539	71	921
1122	Middle school extracurricular	7,953	10	439
1131	High school programs	84,841	20,956	40,368
1132	High school extracurricular	4,820	909	13,976
1140	Pre-kindergarten programs	-	-	(20,541)
1210	Talented and gifted program	-	-	336
1220	Students with disabilities - restrictive programs	781,420	316,145	20,083
1250	Students with disabilities - less restrictive programs	162,671	110,563	312
1260	Early intervention	20,903	7,742	67,205
1271	Remediation	28,687	3,919	-
1272	Title I	1,139,527	586,045	2,305
1279	Title I - Private School	-	-	19,074
1280	Alternative education	245,473	97,542	7,294
1291	English second language programs	2,184	273	-
1292	Teen parent program	83,533	9,111	-
1293	Migrant education	173,864	40,285	13,663
1299	Other programs	-	-	-
1400	Summer school programs	73,630	6,879	2,011
Total instruction		2,998,275	1,251,929	194,950
Support services:				
2110	Attendance and social work services	419,998	167,388	464,436
2120	Guidance services	170,233	62,444	12,476
2130	Health services	135,136	-	1,784
2140	Psychological services	499,811	193,402	114,542
2150	Speech pathology and audiology services	187,016	86,894	-
2160	Student Treatment Center	178,811	70,896	15,307
2190	Service direction, student special education	297,095	127,918	22,129
2210	Improvement of instruction services	209,755	49,874	100,357
2220	Media services	309	26	-
2230	Assessment and Testing	(48)	(26)	-
2240	Instructional Staff Development	983,303	212,948	439,241
2320	Executive Administration Services	164,951	70,088	38,815
2410	Office of the principal services	371	68	1,275
2490	Other support services school administration	-	-	-
2510	Direction of business support services	-	-	-
2520	Fiscal Services	10,839	3,989	25
2540	Operation and maintenance of plant	5,982	5,992	217,338
2550	Student transportation services	-	-	41,672
2610	Direction of central support services	550,872	198,190	3,180
2620	Planning, research and development services	-	-	171,502
2630	Information/production services	28,578	8,569	55
2640	Recruitment and Placement	-	-	10,000
2660	Technology services	3,879	-	42,614
Total support services		3,846,891	1,258,660	1,696,748
Enterprise and community services:				
3100	Food services	2,389,556	1,038,089	378,720
3300	Community services	44,415	8,112	301,919
Total support services		2,433,971	1,046,201	680,639
Capital Projects:				
4150	Building Acquisition, Contruction and Improvements	-	-	52,693
Total capital projects		-	-	52,693
TOTAL EXPENDITURES		\$ 9,279,137	\$ 3,556,790	\$ 2,625,030

400	500	600	Total
\$ 252,678	\$ -	\$ -	\$ 408,102
33,549	-	-	61,208
383,023	-	-	467,153
6,469	-	-	8,000
284,388	-	-	292,790
95,982	-	8,056	250,203
2,767,672	20,325	2,974	2,810,676
-	-	-	(20,541)
-	-	-	336
986	-	20,093	1,138,727
3,950	-	-	277,496
90	-	-	95,940
-	-	-	32,606
12,300	-	127,053	1,867,230
4,344	-	-	23,418
73,172	-	22,473	445,954
-	-	-	2,457
358	-	5,231	98,233
34,508	-	50,974	313,294
-	-	-	-
3,585	-	-	86,105
3,957,054	20,325	236,854	8,659,387
52,053	-	6,419	1,110,294
6,554	-	7,385	259,092
10,863	-	-	147,783
3,679	-	1,672	813,106
-	-	-	273,910
7,793	-	4,030	276,837
125,050	6,782	-	578,974
163,873	-	15,241	539,100
13,703	-	-	14,038
-	-	-	(74)
60,962	-	57,211	1,753,665
4,499	-	20,615	298,968
29,060	-	-	30,774
645	-	2,016	2,661
1,155	-	-	1,155
-	-	-	14,853
24,929	-	5,250	259,491
-	1,111,943	-	1,153,615
7,366	-	682	760,290
50	-	-	171,552
553	-	-	37,755
-	-	-	10,000
32,805	6,218	-	85,516
545,592	1,124,943	120,521	8,593,355
3,561,252	46,840	13,470	7,427,927
40,277	-	-	394,723
3,601,529	46,840	13,470	7,822,650
375	7,325	618	61,011
375	7,325	618	61,011
\$ 8,104,550	\$ 1,199,433	\$ 371,463	\$ 25,136,403

HILLSBORO SCHOOL DISTRICT 1J
Washington County Oregon

SCHEDULE OF DEBT SERVICE FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2009

EXPENDITURES:

Other uses:

5100 Debt service

<u>Object</u> <u>300</u>	<u>Object</u> <u>600</u>	<u>Object</u> <u>Total</u>
\$ 30,931	\$ 31,942,806	\$ 31,973,737

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HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES**FOR THE YEAR ENDED JUNE 30, 2009**

	Object 100	Object 200	Object 300	Object 400
EXPENDITURES:				
Facilities acquisition and construction expenditures:				
1121 Intermediate Programs	\$ -	\$ -	\$ -	\$ -
1131 Secondary Programs	-	-	-	-
2660 Technology	-	-	-	-
4110 Service area direction	425,264	126,566	4,441	3,527
4120 Site Acquis & Dev Systems	-	-	-	-
4150 Building acquisition, construction, and improvement services	5,870	765	6,425,039	1,997,465
4190 Other facilities construction services	-	-	-	-
TOTAL EXPENDITURES	\$ 431,134	\$ 127,331	\$ 6,429,480	\$ 2,000,992

Object 500	Object 600	Object Total
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	559,798
-	-	-
56,811,511	789,456	66,030,106
-	-	-
<u>\$56,811,511</u>	<u>\$ 789,456</u>	<u>\$ 66,589,904</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF FIDUCIARY FUND EXPENDITURES

YEAR ENDED JUNE 30, 2009

	<u>Object 100</u>	<u>Object 200</u>	<u>TOTALS</u>
EXPENDITURES:			
Support services:			
2700 Supplemental retirement program	<u>\$ 123,500</u>	<u>\$ 14,176</u>	<u>\$ 137,676</u>

SUPPLEMENTAL INFORMATION, 2008-2009

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 computation Oregon's full allocation for ESEA, Title I & other Federal Funds for Education

A. Energy Bills for Heating - **All funds:**

Please enter your expenditures for electricity
& heating fuel for these Functions & Objects.

	Objects 325 and 326
Function 2540	\$ 3,699,729
Function 2550	\$ 18,789

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

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

Exclude these functions:

1113, 1122 & 1132	Co-curricular activities	4150	Construction	\$ -
1140	Pre-kindergarten	2550	Pupil transportation	
1300	Continuing education	3100	Food service	
1400	Summer school	3300	Community services	

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

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 financial

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	53
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	57
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	61
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	64
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	66

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

NET ASSETS BY COMPONENT**Last Eight Fiscal Years**

(accrual basis of accounting)

	2008-09*	2007-08*	2006-07*	2005-06*	2004-05*	2003-04*
Governmental activities:						
Invested in capital assets, net of related debt	\$ 36,339,608	\$ 48,427,208	\$ (97,336,636)	\$ 52,183,443	\$ 48,174,979	\$ 57,423,759
Restricted for Debt Service	5,880,421	10,827,545	6,573,042	6,745,522	7,003,798	6,477,663
Restricted for Capital Projects	39,421,641	101,584,454	177,928,489	8,357,714	-	-
Unrestricted	(31,880,776)	(103,343,000)	24,783,019	23,006,941	32,384,733	22,273,298
Total primary government net assets	<u>\$ 49,760,894</u>	<u>\$ 57,496,207</u>	<u>\$ 111,947,914</u>	<u>\$ 90,293,620</u>	<u>\$ 87,563,510</u>	<u>\$ 86,174,720</u>
	2002-03*	2001-02*				
Invested in capital assets, net of related debt	\$ 62,159,150	\$ 55,808,215				
Restricted for Debt Service	7,040,368	6,242,523				
Restricted for Capital Projects	-	-				
Unrestricted	7,109,290	11,104,701				
Total primary government net assets	<u>\$ 76,308,808</u>	<u>\$ 73,155,439</u>				

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

Source: Hillsboro School District 1J financial records.

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

CHANGES IN NET ASSETS

Last Eight Fiscal Years

(accrual basis of accounting)

	2008-09*	2007-08*	2006-07*	2005-06*	2004-05*	2003-04*	2002-03*	2001-02*
Governmental activities:								
Expenditures								
Instruction	\$ 122,478,716	\$ 110,225,767	\$ 93,429,518	\$ 90,626,555	\$ 86,376,150	\$ 77,641,128	\$ 75,511,577	\$ 80,370,299
Support Services	86,269,378	77,354,276	63,574,639	57,239,269	55,864,621	48,175,450	48,605,835	54,608,786
Enterprise and Community Services	9,457,828	9,169,942	7,378,732	9,903,601	6,284,320	5,300,463	4,380,766	4,387,720
Facilities acquisition and construction	-	65,870,014	832,064	-	-	-	36,082	-
Interest on Long-Term Debt	17,905,207	22,257,859	11,593,839	11,798,269	3,720,541	7,701,343	8,067,120	9,450,508
Total Expenditures	236,111,129	284,877,858	176,808,792	169,567,694	152,245,632	138,818,384	136,601,380	148,817,313
Program Revenues								
Charges for Services:								
Instruction	4,021,721	6,390,034	1,070,606	2,126,428	4,143,996	3,093,549	2,835,269	3,428,885
Support Services	168,919	178,773	232,335	1,858,211	430,408	678,092	767,939	563,477
Enterprise and Community Services	2,041,711	2,338,045	2,355,750	2,177,939	3,700,700	2,052,807	1,830,026	1,938,031
Operating Grants and Contributions:								
Instruction	12,342,037	8,577,163	8,795,634	4,241,207	7,378,878	8,061,968	4,236,906	7,133,013
Support Services	2,379,115	3,516,952	3,036,287	3,725,767	4,715,506	9,647,884	7,359,007	7,291,436
Enterprise and Community Services	5,267,264	5,549,384	4,334,791	4,298,360	3,447,404	3,065,297	2,681,706	2,602,220
Capital Grants and Contributions:								
Support Services	-	109,820	527,800	404,634	348,305	365,000	341,855	291,482
Enterprise and Community Services	71,062	95,570	-	-	-	-	-	-
Total Program Revenues	26,291,829	26,755,741	20,353,203	18,832,546	24,165,197	26,964,597	20,052,708	23,248,544
Net (Expenditures)	(209,819,300)	(258,122,117)	(156,455,589)	(150,735,148)	(128,080,435)	(111,853,787)	(116,548,672)	(125,568,769)
General Revenues								
Taxes:								
Property Taxes, Levied for General Purposes	48,193,154	46,040,548	43,741,370	42,262,685	40,522,887	39,118,206	38,971,982	36,377,811
Property Taxes, Levied for Debt Service	21,845,630	29,560,363	14,668,594	14,812,597	15,542,605	14,654,964	15,609,618	17,285,615
State School Fund - General Support	101,756,724	104,687,241	86,828,447	83,972,807	63,991,989	72,273,902	56,101,333	64,412,360
Unrestricted state and local sources	-	-	-	-	-	-	4,210,110	3,347,333
Earnings on Investment	3,312,204	9,340,104	8,194,851	2,653,853	1,446,575	760,116	1,542,526	4,358,468
Miscellaneous	12,067,166	7,597,249	24,676,621	9,763,319	7,965,169	3,569,787	3,266,472	642,951
Total General Revenues	187,174,878	197,225,505	178,109,883	153,465,261	129,469,225	130,376,975	119,702,041	126,424,538
Change in Net Assets	<u>\$ (22,644,422)</u>	<u>\$ (60,896,612)</u>	<u>\$ 21,654,294</u>	<u>\$ 2,730,113</u>	<u>\$ 1,388,790</u>	<u>\$ 18,523,188</u>	<u>\$ 3,153,369</u>	<u>\$ 855,769</u>

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

Source: Hillsboro School District 1J financial records.

HILLSBORO SCHOOL DISTRICT 1JWashington County Oregon**FUND BALANCES OF GOVERNMENTAL FUNDS****Last Ten Fiscal Years**

(modified accrual basis of accounting)

Fiscal years 2005-2009					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Fund Balances					
Reserved, Reported in:					
General Fund	\$ 238,850	\$ 245,271	\$ 219,748	\$ 666,715	\$ 383,482
Special Revenue Funds	882,780	182,812	170,099	218,447	235,323
Debt Service Fund	9,073,416	7,874,004	6,573,042	10,827,545	5,880,421
Capital Projects Funds	13,204,310	8,357,714	177,928,489	101,584,454	39,421,641
Unreserved, Reported in:					
General Fund	14,730,521	20,187,310	19,668,582	22,973,345	19,658,096
Special Revenue Funds	2,454,476	2,098,654	3,672,104	3,435,749	3,597,953
Debt Service Fund	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Total Fund Balances	<u>\$ 40,584,353</u>	<u>\$ 38,945,765</u>	<u>\$ 208,232,064</u>	<u>\$ 139,706,255</u>	<u>\$ 69,176,916</u>

Fiscal years 2000-2004					
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Fund Balances					
Reserved, Reported in:					
General Fund	\$ 176,756	\$ 296,001	\$ 380,954	\$ 212,532	\$ 201,031
Special Revenue Funds	11,773	135,095	849,730	819,653	835,817
Debt Service Fund	4,122,727	4,660,758	-	7,040,368	6,477,663
Capital Projects Funds	-	-	-	26,585,671	17,772,597
Unreserved, Reported in:					
General Fund	11,306,561	13,097,240	5,922,064	2,524,759	17,499,555
Special Revenue Funds	4,906,949	3,738,264	1,832,311	1,859,373	2,087,512
Debt Service Fund	-	-	6,654,606	-	-
Capital Projects Funds	12,958,220	99,882,168	57,237,750	-	-
	<u>\$ 33,482,986</u>	<u>\$ 121,809,526</u>	<u>\$ 72,877,415</u>	<u>\$ 39,042,356</u>	<u>\$ 44,874,175</u>

HILLSBORO SCHOOL DISTRICT 1JWashington County Oregon**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS****Last Ten Fiscal Years**

(modified accrual basis of accounting)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues				
Property Taxes	\$ 36,440,590	\$ 40,010,958	\$ 53,385,120	\$ 54,504,023
Charges for services	-	-	5,834,985	6,591,189
Earnings on investments	-	-	4,358,468	1,542,526
Other	6,693,583	7,956,213	915,668	2,344,141
Intermediate Sources	1,806,905	2,201,857	1,838,914	2,573,735
State School Support	71,427,206	77,878,609	75,191,397	63,608,223
Federal	5,971,394	6,644,942	7,703,247	8,347,115
Other sources	431,564		166,977	166,224
Total Revenues	<u>122,771,242</u>	<u>134,692,579</u>	<u>149,394,776</u>	<u>139,677,176</u>
Expenditures				
Current Operating				
Instruction	63,888,888	69,530,948	78,269,095	73,244,826
Support Services	43,596,552	49,313,496	52,846,551	46,761,142
Enterprise and community Services	3,787,168	4,002,641	4,273,007	4,249,262
Facilities Acquisition & Construction	-	-	5,440,942	3,074,184
Capital Outlay	33,485,200	13,810,929	42,189,507	30,258,195
Debt Service				
Principal	3,024,755	4,150,285	6,030,606	7,686,108
Other	-	-	-	-
Payment to PERS	-	-	-	-
Interest	4,331,582	4,087,682	9,819,855	8,238,518
Total Expenditures	<u>152,114,145</u>	<u>144,895,981</u>	<u>198,869,563</u>	<u>173,512,235</u>
Excess (deficiency) of revenues over (under) expenditures	(29,342,903)	(10,203,402)	(49,474,787)	(33,835,059)
Other Financing Sources (Uses)				
Bond Proceeds	6,602,734	98,447,494	-	-
Sale or Compensation for loss of Fixed Asset	-	-	-	-
Operating Transfers In	250,000	-	-	-
Operating Transfers Out	(250,000)	-	-	-
Total other financing sources (uses)	<u>6,602,734</u>	<u>98,447,494</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (22,740,169)</u>	<u>\$ 88,244,092</u>	<u>\$ (49,474,787)</u>	<u>\$ (33,835,059)</u>
Debt Services as a percentage of noncapital expenditures	6.2%	6.3%	10.1%	11.1%

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 53,824,620	\$ 56,412,322	\$ 57,183,332	\$ 58,274,830	\$ 74,970,634	\$ 69,425,118
5,824,448	6,307,762	4,778,380	3,765,885	7,009,678	8,265,066
760,116	1,446,575	2,653,850	8,194,851	9,340,104	3,229,021
1,030,150	3,061,354	1,605,890	1,375,754	6,726,267	6,944,129
3,516,570	3,749,953	4,296,352	3,812,017	3,286,708	1,742,355
81,462,389	71,857,440	83,968,676	86,835,628	104,687,241	103,156,724
10,855,286	10,869,443	13,690,511	15,821,511	17,327,027	20,087,018
54,668	103,126,403	4,560,607	186,703,215	-	-
<u>157,328,247</u>	<u>256,831,252</u>	<u>172,737,598</u>	<u>364,783,691</u>	<u>223,347,659</u>	<u>212,849,431</u>
74,367,389	81,088,557	87,151,646	90,028,309	99,258,155	103,425,714
46,467,506	52,451,074	55,044,467	61,260,267	69,657,422	72,746,276
5,075,963	5,900,323	6,294,588	7,110,119	8,257,520	8,046,600
4,430,025	567,389	1,680,430	-	-	-
5,265,037	4,349,203	3,025,190	15,556,452	83,737,559	66,650,915
8,066,526	10,196,483	9,168,251	10,020,821	9,370,000	14,530,000
-	-	-	38,196	30,931	30,931
-	100,780,385	-	-	-	-
<u>7,873,920</u>	<u>5,737,725</u>	<u>12,011,614</u>	<u>11,483,228</u>	<u>22,040,454</u>	<u>17,951,944</u>
<u>151,546,366</u>	<u>261,071,139</u>	<u>174,376,186</u>	<u>195,497,392</u>	<u>292,352,041</u>	<u>283,382,380</u>
5,781,881	(4,239,887)	(1,638,588)	169,286,299	(69,004,382)	(70,532,949)
-	-	-	-	39,068	-
-	-	-	-	94,242	3,610
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,310</u>	<u>3,610</u>
<u>\$ 5,781,881</u>	<u>\$ (4,239,887)</u>	<u>\$ (1,638,588)</u>	<u>\$ 169,286,299</u>	<u>\$ (68,871,072)</u>	<u>\$ (70,529,339)</u>
10.9%	45.5%	12.4%	12.0%	15.1%	13.7%

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

ASSESSED VALUES OF TAXABLE PROPERTY WITHIN SCHOOL DISTRICT BOUNDARIES Last Ten Fiscal Years

Market Value				
Fiscal Year Ending June 30	Real Property	Manufactured Property	Personal Property	Public Utility
2000	7,904,232,582	88,740,466	354,386,836	222,999,133
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

Note:

Represents Washington County only

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

Assessed Value (not including exempt property)					
Total Market Value	Total Taxable Assessed Value	Total Direct Tax Rate	Amount tax rate will raise	Less: Reduction and Adjustments	Total Taxes Imposed (Net Levy)
8,570,359,017	5,935,686,735	6.99	41,490,450	(3,612,890)	37,877,560
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	8,403,493	71,924,928

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last 10 Fiscal Years

Rate per \$1,000 of assessed value

DIRECT:	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Hillsboro School District	6.2936	6.1994	6.5240	6.5831
Hillsboro School District - after 10/6/01	0.8080	1.8587	0.0000	0.0000
Prior School District Bonds				
Hillsboro	0.0802	0.0829	0.0793	0.0793
Reedville	0.2617	0.2493	0.2268	0.2556
Farmington View	-	-	-	0.3408
North Plains	-	-	0.2706	0.0253
 OVERLAPPING GOVERNMENTS:				
Washington County	2.3940	2.4431	2.4494	2.8390
Washington County - after 10/6/01	0.5900	0.5900		
Enhanced Sheriff Patrol	1.3099	1.0920	1.1120	1.1300
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	4.7665	4.7665	4.7665
City of North Plains	2.1712	2.1712	2.1712	2.6385
City of Cornelius	4.0050	4.0723	4.1698	3.9836
Cornelius RFD	1.4388	1.4702	1.4820	1.5307
RFFD#2	1.1219	1.1219	1.1219	1.1219
Tualatin Valley Fire and Rescue	1.5446	1.5560	1.8194	1.7752
Gaston RFPD	1.5121	1.5121	1.5121	1.5121
Banks RFPD	2.1671	2.0321	2.0220	1.7031
Forest Grove RFPD	1.4375	1.4409	1.4390	1.2766
Metro Service District	0.3018	0.2683	0.2782	0.0000
Metro Service District - after 10/6/01	0.0966	0.1609		
Tri-Met	0.0803	0.0856	0.0973	0.1191
Tualatin Hills Park and Recreation	1.4291	1.4341	1.4425	1.4505
Wolf Creek Water	-	-	-	0.0000
Urban Renewal - H	-	-	-	0.0000
Metro Zoo	-	-	0.0966	0.0966
Northwest Regional ESD	0.1538	0.1538	0.1538	0.1538
Portland Community College	0.5031	0.5051	0.4889	0.2828
Rainbow Lane Road	0.4888	0.4888	0.4888	0.4888

Source: The Washington County Department of Assessment and Taxation.

2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
6.7059	6.6651	6.7942	5.9434	6.1437	5.5914
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.1292	0.1278	0.1257	0.1407	0.1710	0.2548
0.3327	0.2985	0.2828	0.2999	0.3461	0.3448
0.3636	0.3627	0.3812	0.3907	0.4593	0.4288
0.3187	0.2944	0.2890	0.3292	0.3723	0.3801
2.8734	2.9149	2.9149	2.5277	2.5425	2.5637
1.1424	1.0291	1.0291	1.0797	1.0506	1.0392
0.2456	0.2456	0.2456	0.2456	0.2456	0.2456
0.0701	0.0701	0.0701	0.0737	0.0753	0.0780
4.7665	4.7665	4.7665	4.7665	4.8230	3.7304
3.1563	3.2361	3.2361	2.6902	2.7071	2.8590
4.3098	4.5828	4.5828	4.6836	4.7373	4.3820
1.5631	1.9667	1.9667	1.9550	2.1146	1.1943
1.1219	1.1219	1.1219	1.2976	1.2941	1.1479
1.8259	1.8206	1.8206	1.5869	1.5563	1.5250
1.0921	1.3060	1.3060	1.0921	1.0736	1.0733
1.4110	1.6621	1.6621	1.5504	1.5428	1.0767
1.4361	1.4568	1.4568	1.4591	1.4626	1.4594
0.2838	0.2835	0.2835	0.3401	0.3282	0.3642
0.1104	0.1239	0.1239	0.1345	0.1428	0.1526
1.4551	1.4617	1.4617	1.4898	1.5575	1.5252
0.0000	0.1486	0.1486	0.1647	0.1537	0.2413
0.0000	0.0000	0.0000	0.0000	0.0000	0.8245
0.2838	0.0000	0.0000	0.0000	0.0000	0.0000
0.1538	0.1538	0.1538	0.1538	0.1538	0.1538
0.5099	0.4944	0.4944	0.3717	0.3600	0.3515
0.4888	0.4888	0.4888	0.4888	0.4880	0.4888

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

PRINCIPAL PROPERTY TAX PAYERS FOR WASHINGTON COUNTY

Current Year and Ten Years Ago

Taxing District - School District

Taxpayer	2009			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	1,101,356,820	1	10.91%	756,323,530	1	12.74%
Verizon Northwest, Inc.	438,548,983	2	4.34%			
Nike, Inc	411,842,849	3	4.08%			
Portland General Electric	343,427,950	4	3.40%			
Pacific Realty Associates	283,366,710	5	2.95%	26,910,240	7	0.45%
Northwest Natural Gas Co.	286,150,490	6	2.83%			
Maxim Integrated Products	171,437,490	7	1.70%			
Tektronix Inc	135,299,503	8	1.34%			
ERP Operating Systems	115,412,910	9	1.14%			
PS Business Parks	102,805,826	10	1.02%			
Komatsu Silicon America, Inc.				212,940,370	2	3.59%
Integrated Device Technology				58,284,320	3	0.98%
OHKA Amercia, Inc.				54,685,440	4	0.92%
Sumitono Bank Leasing & Finance				47,805,680	5	0.81%
Triquin Semiconductor				36,397,720	6	0.61%
Towlease				24,102,730	8	0.41%
NEC America, Inc.				23,681,420	9	0.40%
Tokyo Electron Oregon, Inc.				22,418,900	10	0.38%
Subtotal of Ten Largest Taxpayers	3,389,649,531		35.35%	1,263,550,350		21.29%
All Other Taxpayers	6,709,147,826		64.65%	4,672,136,385		74.89%
Total All Taxpayers	\$ 10,098,797,357		100.00%	5,935,686,735		100.00%

Note: Represents Washington County only. Multnomah and Yamhill County portions of the District comprise less than .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**

Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Fiscal Year of the Levy Percent of Levy		Amount	Percentage of Levy
2000	37,877,560	36,438,213	96.20%	1,310,063	37,748,276	99.66%
2001	39,473,700	38,407,911	97.30%	1,005,670	39,413,581	99.85%
2002	55,126,906	53,087,210	96.30%	1,890,806	54,978,016	99.73%
2003	56,209,332	54,466,843	96.90%	1,642,833	56,109,676	99.82%
2004	55,501,990	53,781,428	96.90%	1,618,091	55,399,519	99.82%
2005	57,641,279	56,332,822	97.73%	1,097,144	57,429,966	99.63%
2006	58,671,037	57,183,712	97.46%	-	57,183,712	97.46%
2007	59,923,244	57,306,366	95.63%	872,030	58,178,396	97.09%
2008	77,461,189	74,725,087	96.47%	2,510,023	77,235,110	99.71%
2009	71,924,928	69,360,016	96.43%	3,133,153	72,493,169	100.79%

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

**RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years**Governmental Activities

<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 ADM</u>	<u>Per Capita Income</u>
2000	76,190,000	6,700,000	-	82,890,000	4,957	931
2001	170,675,000	6,495,000	-	177,170,000	10,251	1,926
2002	164,865,000	6,280,000	-	171,145,000	9,666	1,821
2003	157,405,000	6,060,000	-	163,465,000	9,046	1,528
2004	149,580,000	5,825,000	-	155,405,000	8,596	1,426
2005	139,604,501	5,556,397	102,850,000	248,010,898	13,452	2,231
2006	130,569,579	5,302,971	102,850,000	238,722,550	12,758	1,910
2007	287,242,352	5,034,545	102,850,000	395,126,897	20,799	2,874
2008	278,762,595	4,827,537	102,740,000	386,330,132	20,203	2,664
2009	265,497,826	4,487,395	102,330,000	372,315,221	18,580	2,435

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**As of June 30, 2009**

Overlapping Issuer	Net Property-tax Backed Debt ¹	Percent Overlapping	Overlapping Debt
Northwest Regional ESD	\$ -	7.60%	\$ -
Port of Portland	-	3.03%	-
Metro	5,761,186	3.07%	176,868
Tri-Met Transportation	1,184,642	3.26%	38,619
Portland Community College	9,962,475	4.25%	423,405
Washington County	3,144,071	9.97%	313,464
Forest Grove RFPD	1,770	9.32%	165
Gaston RFPD	174	0.04%	-
Banks Fire District 13	1	0.01%	-
Tualatin Valley Fire & Rescue District	1,682	0.58%	10
City of Cornelius	144,136	32.76%	47,219
City of Hillsboro	-	53.23%	-
Subtotal, overlapping debt			<u>\$ 999,750</u>
Direct District net property-tax backed debt			<u>265,497,826</u>
Total direct and overlapping debt			<u>\$ 266,497,576</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

**LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt Limit	\$ 681,343,542	\$ 739,461,954	\$ 907,998,515	\$ 972,600,495	\$ 1,234,684,230
Total net debt applicable to limit	<u>76,190,000</u>	<u>170,675,000</u>	<u>164,865,000</u>	<u>157,405,000</u>	<u>149,580,000</u>
Legal debt margin	<u>\$ 605,153,542</u>	<u>\$ 568,786,954</u>	<u>\$ 743,133,515</u>	<u>\$ 815,195,495</u>	<u>\$ 1,085,104,230</u>
Total net debt applicable to the limit as a percentage of debt limit	11.18%	23.08%	18.16%	16.18%	12.11%

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

For each grade from kindergarten to eighth for which the District operates schools, fifty-five one-hundredths of one percent (.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 (.0075) of the real market value.

Allowable Percentage of Real Market Value:	
Kindergarten through eighth grade, 9 x .0055	4.95%
Ninth through twelfth, 4 x .0075	3.00%
Allowable Percentage	<u>7.95%</u>

Source: District Financial Statements

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 1,243,730,043	\$ 1,247,560,967	\$ 1,399,071,619	\$ 1,578,265,232	\$ 1,556,140,350
<u>248,025,005</u>	<u>231,880,000</u>	<u>391,061,712</u>	<u>380,501,712</u>	<u>367,827,826</u>
<u>\$ 995,705,038</u>	<u>\$ 1,015,680,967</u>	<u>\$ 1,008,009,907</u>	<u>\$ 1,197,763,520</u>	<u>\$ 1,188,312,524</u>
19.94%	18.59%	27.95%	24.11%	23.64%

HILLSBORO SCHOOL DISTRICT 1JWashington County Oregon**DEMOGRAPHIC AND ECONOMIC STATISTICS****Last Ten Calendar Years**

Year	Population	Personal Income (thousands of dollars) (Estimated) (3)	Personal Income (1)	Unemployment Rate (2)
2000	89,000	2,600,135	29,215	4.0%
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	111,180	3,891,300	35,000	7.5%
2006	125,000	4,168,750	33,350	7.5%
2007	137,500	4,252,125	30,925	4.8%
2008	145,000	5,020,770	34,626	4.6%
2009	152,909	5,544,330	36,259	9.9%

Notes:

1. For Washington County in its entirety.
2. Reported on a calendar year basis for Washington County
3. Estimated using per capita information and population.

Source: State of Oregon Employment Division

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

PRINCIPAL EMPLOYERS FOR THE PORTLAND METRO AREA**2009**

2009			
Employer	Employees	Rank	Percentage of Total Employment
Ten Largest Employers			
Intel Corp.	16,740	1	1.65%
Providence Health System	14,639	2	1.44%
Oregon Health & Science University	11,500	3	1.24%
Fred Meyer Stores	8,500	4	0.92%
Kaiser Permanente	8,221	5	0.89%
Legacy Health Systems	8,196	6	0.88%
Nike	7,648	7	0.82%
Wells Fargo	4,873	8	0.53%
Greenbrier Cos. Inc	3,972	9	0.43%
Freightliner Corp	3,500	10	0.38%
Subtotal of Ten Largest Employers	87,789		8.65%
All Other Employers	927,411		91.35%
Total Portland PMSA2 Employment	1,015,200		100.00%

Source: Portland Metropolitan Fact Book

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

CERTIFIED, CLASSIFIED AND ADMINISTRATIVE EMPLOYEES LAST TEN FISCAL YEARS

	<u>CERTIFIED</u>	<u>CLASSIFIED</u>	<u>ADMINISTRATIVE</u>	<u>TOTAL</u>
1999-00	960	913	72	1945
2000-01	987	937	79	2003
2001-02	995	957	78	2030
2002-03	997	925	75	1997
2003-04	858	1038	64	1960
2004-05	985	1050	67	2102
2005-06	1044	1050	67	2161
2006-07	1105	1062	73	2240
2007-08	1110	1076	73	2259
2008-09	1105	856	77	2038

(1) Full-time equivalent (FTE) positions

Source: Hillsboro School District 1J payroll records

Source: Hillsboro School District 1J payroll records

HILLSBORO SCHOOL DISTRICT 1JWashington County Oregon**STUDENT ENROLLMENT STATISTICS
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Average Daily Membership</u>	<u>Percent Free and Reduced</u>	<u>Net Operating Expenditures per ADM</u>	<u>Teacher to Student Ratio</u>
2000	16,723	29%	6,306	17
2001	17,283	30%	6,771	17
2002	17,705	33%	7,359	18
2003	18,070	35%	6,606	21
2004	18,079	38%	6,656	18
2005	18,437	39%	7,189	19
2006	18,711	40%	7,170	18
2007	18,997	36%	7,499	17
2008	19,122	42%	7,947	17
2009	19,530	44%	8,176	18

HILLSBORO SCHOOL DISTRICT 1J
Washington County Oregon

STUDENT ENROLLMENT AND CAPITAL ASSET STATISTICS
Last Ten Fiscal Years

School/Year Opened	Square Footage	Enrollment			
		<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Brookwood Elementary (1953)	43,041	457	535	566	558
Imlay Elementary (2002)	69,435	617	541	659	655
Butternut Creek Elementary (1977)	34,840	451	449	439	442
Patterson Elementary (2000)	69,435	515	733	654	677
Orenco Elementary (2000)	69,435	424	605	594	552
Indian Hills Elementary (1979)	40,219	443	385	407	369
Reedville Elementary (1922)	16,247	291	346	366	360
David Hill Elementary (1943)	27,828	Closed	262	337	321
Eastwood Elementary (1978)	49,163	472	481	505	534
Farmington View Elementary (1950)	22,867	215	209	226	248
Free Orchards (2008)	73,500	472	-	-	-
Jackson Elementary (1990)	50,767	537	620	656	632
L.C. Tobias Elementary (1992)	50,000	543	550	563	577
Groner Elementary (1949)	32,402	191	192	206	191
Lenox Elementary (1949)	51,074	402	425	440	439
McKinney Elementary (1970)	49,163	503	536	533	509
Minter Bridge Elementary (1980)	49,163	461	442	362	406
North Plains Elementary (54)	49,496	513	516	543	504
Moobery Elementary (1963)	49,496	320	332	310	333
Peter Boscow Elementary (1912)	67,752	Closed	355	388	388
Quatama Elementary (2008)	73,100	513	-	-	-
Ladd Acres Elementary (1968)	60,825	636	647	603	612
Lincoln Street Elementary (2008)	73,400	545	-	-	-
W.L. Henry Elementary (1968)	52,813	605	594	616	592
West Union Elementary (1948)	42,757	312	402	349	358
Former Witch Hazel	Demolished	-	-	-	-
Witch Hazel Elementary (2003)	69,435	645	609	489	431
Brown Middle School (1963)	95,414	919	899	875	892
Evergreen Middle School (1981)	120,000	886	873	778	774
Thomas Middle School (1928)	215,000	543	524	544	550
Poynter Middle School (1959)	83,200	775	782	713	760
Miller Ed Junior High	9,560	17	19	16	15
Century High School (1997)	265,000	1,524	1,454	1,493	1,460
Glencoe High School (1980)	240,000	1,490	1,427	1,444	1,464
Liberty High School (2003)	288,897	1,270	1,264	1,269	1,171
Hilhi High School (1969)	253,652	1,481	1,477	1,478	1,444
Miller Ed High School (1958)	20,552	50	60	69	79

Enrollment

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
566	525	509	540	502	645
654	610	608	-	-	-
456	488	492	442	459	498
642	649	601	575	540	-
567	550	538	695	665	-
382	407	481	484	615	548
388	373	376	351	343	336
311	309	299	281	262	285
557	607	606	587	624	647
269	297	292	316	343	361
-	-	-	-	-	-
612	622	583	575	686	656
567	640	658	621	639	615
212	224	223	248	243	232
395	416	520	491	497	514
503	513	506	482	618	589
401	495	528	514	499	465
513	472	505	496	617	649
351	354	354	345	347	362
392	387	447	436	517	493
-	-	-	-	-	-
592	587	716	701	726	682
-	-	-	-	-	-
546	649	632	659	629	625
300	326	375	392	428	426
-	-	-	182	160	180
401	-	-	-	-	-
903	851	791	765	741	699
794	809	770	775	797	768
503	499	497	506	494	527
764	703	640	640	635	620
16	15	15	14	16	17
1,587	2,107	2,037	1,940	1,910	1,780
1,516	1,773	1,774	1,659	1,575	1,570
847	-	-	-	-	-
1,438	1,403	1,375	1,382	1,343	1,364
81	75	73	62	65	67

HILLSBORO SCHOOL DISTRICT 1JWashington County, Oregon**TEACHER DATA**

<u>Education</u>	<u>Step</u>	<u>#</u>	<u>Salary</u>	<u>Education</u>	<u>Step</u>	<u>#</u>	<u>Salary</u>
BA	2	19.00	34,854	MA	7	24.12	46,339
BA	3	12.08	36,248	MA	8	24.20	48,192
BA	4	9.00	37,698	MA	9	40.01	50,120
BA	5	10.90	39,205	MA	10	36.08	52,125
BA	6	11.00	40,774	MA	11	24.77	54,210
BA	7	5.80	42,405	MA	12	22.17	56,378
BA	8	5.50	44,101	MA	13	21.35	58,633
BA	9	3.20	45,865	MA	14	8.50	60,979
BA	10	5.80	47,699	MA	15	12.50	63,418
BA	11	9.09	49,607	MA	16	15.80	65,955
BA	12	3.80	51,592	MA	17	95.80	68,592
BA	13	25.80	53,878	MA+24	2	1.00	39,228
BA+24	2	1.50	35,900	MA+24	3	1.00	40,798
BA+24	3	2.00	37,336	MA+24	4	8.17	42,430
BA+24	4	2.00	38,829	MA+24	5	10.80	44,127
BA+24	5	2.00	40,382	MA+24	6	15.50	45,892
BA+24	6	-	41,998	MA+24	7	6.20	47,727
BA+24	7	3.00	43,677	MA+24	8	4.25	49,637
BA+24	8	3.60	45,425	MA+24	9	12.60	51,622
BA+24	9	3.80	47,242	MA+24	10	7.50	53,687
BA+24	10	4.00	49,131	MA+24	11	12.30	55,834
BA+24	11	4.00	51,096	MA+24	12	7.00	58,068
BA+24	12	1.00	53,140	MA+24	13	4.80	63,990
BA+24	13	19.55	55,497	MA+24	14	2.50	62,806
BA+45	2	-	36,976	MA+24	15	4.00	65,318
BA+45	3	4.08	38,455	MA+24	16	4.00	67,931
BA+45	4	-	39,993	MA+24	17	63.05	70,648
BA+45	5	2.00	41,593	MA+45	2	3.00	40,405
BA+45	6	2.00	43,256	MA+45	3	4.00	42,021
BA+45	7	-	44,987	MA+45	4	2.30	43,702
BA+45	8	1.00	46,786	MA+45	5	1.00	45,450
BA+45	9	2.00	48,658	MA+45	6	4.00	47,268
BA+45	10	2.00	50,604	MA+45	7	3.08	49,159
BA+45	11	2.50	52,628	MA+45	8	6.60	51,126
BA+45	12	4.00	54,733	MA+45	9	6.00	53,171
BA+45	13	0.50	56,922	MA+45	10	3.00	55,297
BA+45	14	2.00	59,199	MA+45	11	7.90	57,509
BA+45	15	1.00	61,567	MA+45	12	13.00	59,810
BA+45	16	16.83	64,029	MA+45	13	6.00	62,202
MA	2	42.03	38,087	MA+45	14	6.50	64,690
MA	3	57.53	39,611	MA+45	15	9.50	67,278
MA	4	44.54	41,195	MA+45	16	6.00	69,969
MA	5	52.08	42,843	MA+45	17	98.30	72,767
MA	6	57.30	44,557				



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

December 14, 2009

2008-2009 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000 (the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy) enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows.

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of Hillsboro School District No. 1J, Washington County, Oregon, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 14, 2009.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America, and Governmental Auditing Standards issued by the Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of Hillsboro School District No. 1J, Washington County, Oregon, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of Hillsboro School District No. 1J, Washington County, Oregon, for the year ended June 30, 2009, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

HILLSBORO SCHOOL DISTRICT NO. 1J
WASHINGTON COUNTY, OREGON

2008-2009 AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

A material weakness is a significant deficiency in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be a material weakness as defined above.

This report is intended solely for the information and use of the board, management, 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.

ACCOUNTING RECORDS

The accounting records are adequate for audit.

2008-2009 and 2009-2010 BUDGETS

The budgets adopted for the current and ensuing fiscal year were examined during the audit. Based on our testing, it appeared there was compliance with legal requirements related to the preparation and adoption of the annual budgets.

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2009 except as noted on page 20.

COLLATERAL SECURING BANK DEPOSITS

Deposits at Credit Unions in total were \$100,619 at June 30, 2009. Bank deposits were held at approved depositories as identified by the Treasury throughout the year based upon our testing. Deposits in the State Local Government Investment Pool are not required to be collateralized.

HILLSBORO SCHOOL DISTRICT NO. 1J
WASHINGTON COUNTY, OREGON

2008-2009 AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

INVESTMENTS

Based on our testing, the investments held during the year ending June 30, 2009 appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035, except that the District did deposit funds in the Local Government Investment Pool that exceeded the maximum balance.

PUBLIC CONTRACTS AND PURCHASING

Based on our testing, there appears to be compliance with legal requirements of ORS Chapter 279 relating to public contracts and purchasing.

INSURANCE AND FIDELITY BONDS

We are not aware of any failure to comply with legal requirements relating to insurance and fidelity bonds, however, we do not have the professional expertise to state whether insurance coverage is adequate.

STATUTORY BONDED DEBT LIMITATION

The bonded debt outstanding was within the provisions of ORS 552.645.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. Our reports concerning grant compliance and a schedule of expenditures of federal awards are contained in this report in the grant compliance review section.

STATE HIGHWAY

No State Highway funds were received during the year ended June 30, 2009.

STATE SCHOOL FUND DISTRIBUTION INFORMATION

We have performed the procedures recommended by the Oregon Secretary of State, Audits Division, regarding the compliance with the requirements of ORS 327.013 as further defined by the Oregon State Department of Education pertaining to the calculations and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2009.

Based upon our testing, we found two instances where the District did not correctly report teacher experience to the Oregon Department of Education. This is required in the calculation and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2009.

ACCOUNTABILITY OF ELECTED OFFICIALS

No elected official collected or received funds on behalf of the District.


PAULY, ROGERS AND CO., P.C.

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HILLSBORO SCHOOL DISTRICT 1J
Washington County Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period	Revenue	Expenditure
U.S. DEPARTMENT OF EDUCATION:					
ARRA SFSF	84.394	n/a	2008-09	\$ 3,935,384	\$ 3,935,384
				<u>3,935,384</u>	<u>3,935,384</u> (1)
Small Learning Communities	84.215L	n/a	2008-09	188,248	188,248
				<u>188,248</u>	<u>188,248</u>
Regional Data Warehouse ETL	99.998	12160	2008-09	19,929	19,929
				<u>19,929</u>	<u>19,929</u>
REMS	99.999	n/a	2008-09	212,284	212,284
				<u>212,284</u>	<u>212,284</u>
Safe Schools/Healthy Students PASS grant	84.184L	Q184L050110	2008-09	1,960,944	1,960,944
				<u>1,960,944</u>	<u>1,960,944</u>
Passed through Oregon State Department of Education:					
Title IA Grants to LEA	84.010	12791	2008-09	2,399,080	2,399,080
Title ID	84.010	10054	2007-08	27,212	27,212
				<u>2,426,292</u>	<u>2,426,292</u>
Migrant Education					
Title IC Summer School	84.011	12395	2007-08	247,423	247,423
Title IC Regular School	84.011	11210	2007-08	126,651	126,651
	84.011	12924	2008-09	404,304	404,304
				<u>778,378</u>	<u>778,378</u> (1)
OLN School District Leadership	99.999	13784	2008-09	70,000	70,000
OLN Partner Organizations - Prof Dev	99.999	14410	2008-09	10,000	10,000
Enhancement & Extended Assessment	84.027	13828	2008-09	11,087	11,087 (1)
EBISS	84.323	14352	2008-09	94,871	94,871
SLP Mentoring Grant	99.998	12258	2008-09	5,400	5,400
IDEA - Part B	84.027A	11401	2007-08	1,139,171	1,139,171 (1)
	84.027A	13632	2008-09	1,825,087	1,825,087 (1)
SPR&I	84.027A	10727	2008-09	8,580	8,580 (1)
				<u>3,164,195</u>	<u>3,164,195</u>
Perkins Comprehensive Basic	84.048	9583	2007-08	52,431	52,431
Perkins Comprehensive Basic	84.048	12332	2008-09	98,011	98,011
				<u>150,443</u>	<u>150,443</u>
Passed through Oregon Department of Human Services	84.126A	113776-1	2008-09	87,983	87,983
Vocational Rehabilitation Services -				<u>87,983</u>	<u>87,983</u>
Youth Transition					
Title IV Safe and Drug-Free School	84.186	14049	2008-09	98,601	98,601
				<u>98,601</u>	<u>98,601</u>
Title X McKinney Vento	84.196	13954	2008-09	45,205	45,205
				<u>45,205</u>	<u>45,205</u>
Title IID	84.318	13204	2008-09	10,704	10,704
Enhancing Ed through Technology				<u>10,704</u>	<u>10,704</u>

HILLSBORO SCHOOL DISTRICT 1J
Washington County Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

Reading First Implementation	84.357	11321	2008-09	189,156	189,156
Reading First Beacon	84.357	14211	2008-09	153,844	153,844
				<u>343,001</u>	<u>343,001</u>
Title III English Language Acquisition	84.365	9002	2007-08	140,753	140,753
	84.365	11548	2008-09	216,883	216,883
				<u>357,636</u>	<u>357,636</u>
Title IIA Teacher Quality State	84.367A	10145	2007-08	258,507	258,507 (1)
	84.367A	13013	2008-09	511,011	511,011 (1)
Mentor Grant	84.184B		2008-09	271,010	271,010
				<u>1,040,528</u>	<u>1,040,528</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u><u>14,819,753</u></u>	<u><u>14,819,753</u></u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
HEY! Together Coalition	93.276	C3829G1	2008-09	50,177	50,177
				<u>50,177</u>	<u>50,177</u>
Passed through Oregon State Department of Human Resour	93.575	CCD 095113	2008-09	33,257	33,257
Child Care and Development Block Grant	93.575	CCD 085113	2007-08	12,875	12,875
	93.575	CCD 095113	2008-09	32,824	32,824
	93.575	CCD 089113	2008-09	18,918	18,918
				<u>97,874</u>	<u>97,874</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u><u>148,051</u></u>	<u><u>148,051</u></u>
U.S. DEPARTMENT OF LABOR:					
Passed through Work Systems, Inc.					
Workforce Investment Act	17.259	08-70501	2008-09	356,443	356,443
Summer Jobs Program (ARRA)	17.259	08-70501	2008-09	2,090	2,090
				<u>358,533</u>	<u>358,533</u>
TOTAL U.S. DEPARTMENT OF LABOR				<u><u>358,533</u></u>	<u><u>358,533</u></u>
U.S. DEPARTMENT OF AGRICULTURE:					
Passed through Oregon State Department of Education:					
National School Lunch Program - Breakfast	10.553	34 08001	2008-09	1,013,513	1,013,513
National School Lunch Program - Lunch	10.555	34 08001	2008-09	3,139,058	3,139,058
National School Lunch Program - Snack	10.555	34 08001	2008-09	23,192	23,192
USDA - Commodities	10.550	34 08001	2008-09	421,469	421,469
Fresh Fruits & Veggies Grant (7/1-9/30/08)	10.582	14244	2008-09	5,898	5,898
Fresh Fruits & Veggies Grant (10/1-6/30/08)	10.582	14466	2008-09	24,484	24,484
Summer Food Service Program for Children	10.559	34 08001	2008-09	133,067	133,067
				<u>4,760,680</u>	<u>4,760,680</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE:				<u><u>4,760,680</u></u>	<u><u>4,760,680</u></u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u><u>\$ 20,087,018</u></u>	<u><u>\$ 20,087,018</u></u>

(1) Major Program



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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December 14, 2009

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*

We have audited the financial statements of Hillsboro School District No. 1J as of and for the year ended June 30, 2009, and have issued our report thereon dated December 14, 2009. 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. The discretely presented component unit was not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hillsboro School District No. 1J's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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, 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.

A handwritten signature in cursive script that reads "Pauly, Rogers and Co. P.C.".

PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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December 14, 2009

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, 2009. Hillsboro School District No. 1J's major federal programs are identified in the accompanying 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 Hillsboro School District No. 1J's management. Our responsibility is to express an opinion on Hillsboro School District No. 1J's 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 the 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, 2009.

Internal Control Over Compliance

The management of Hillsboro School District No. 1J 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 the 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 the internal control over compliance.

A *control deficiency* in the internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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*, 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.

HILLSBORO SCHOOL DISTRICT NO. 1J
WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2009

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

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM CLUSTER</u>
84.011	Title 1C – Migrant Education
84.394	ARRA State Fiscal Stabilization Fund
84.027 and 84.027A	Special Education Cluster
84.367A	Title IIA – Improving Teacher Quality

Dollar threshold used to distinguish between type A and type B programs: \$602,611

Auditee qualified as low-risk auditee? ☒ yes ☐ no

The accompanying schedule of expenditures of federal awards includes the federal grant activity for Hillsboro School District No. 1J 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.

HILLSBORO SCHOOL DISTRICT NO. 1J
WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None Reported.