

# Comprehensive Annual Financial Report

For the Year Ended June 30, 2008

Red	Blue	Green

My sw  
pretzel  
26  
2/3  
7/5

*Rich in Tradition*  
FOCUSSED ON EXCELLENCE



---

# **HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

---

## **Comprehensive Annual Financial Report**

For the year ended June 30, 2008

---

**Prepared by:**

Adam Stewart,

Chief Financial Officer — Deputy Clerk

---

(This page intentionally left blank)

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

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INTRODUCTORY SECTION:</b>	
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	vii
Officials of the District	viii
Organizational Chart	ix
 <b>FINANCIAL SECTION:</b>	
 <b>Independent Auditors' Report</b>	 1
 <b>Management's Discussion and Analysis</b>	 A-K
 <b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Balance Sheet – Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	7
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	10
Statement of Fiduciary Fund Net Assets	11
Statement of Changes in Fiduciary Fund Net Assets	12
Notes to Basic Financial Statements	13
 <b>Supplemental Information:</b>	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Debt Service Fund	34
Capital Projects Fund	35
Pension Trust Fund – Post Employment Benefit	36
Other Schedules:	
Schedule of Bonded Debt Transaction	37
Schedule of Future Debt Requirements	38
Schedule of Property Tax Transactions	39
Schedule of Revenues	40
Schedule of General Fund Expenditures	41
Schedule of Special Revenue Fund Expenditures	42

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

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>FINANCIAL SECTION (Continued):</b>	
<b>Supplemental Information:</b>	
Other Schedules (Continued):	
Schedule of Debt Service Fund Expenditures	43
Schedule of Capital Projects Fund Expenditures	44
Schedule of Fiduciary Fund Expenditures	45
Supplemental Information as Required by the Oregon Department of Education	46
<b>STATISTICAL SECTION:</b>	
Net Assets by Component	47
Changes in Net Assets	48
Fund Balances of Governmental Funds	49
Changes in Fund Balances of Government Funds	50
Assessed Values of Taxable Property within School District Boundaries	51
Direct and Overlapping Debt Property Tax Rate	52
Principal Property Tax Payers for Washington County	53
Property Tax Levies and Collections	54
Ratios of Outstanding Debt by Type	55
Direct and Overlapping Governmental Activities Debt	56
Legal Debt Margin Information	57
Demographic and Economic Statistics	58
Principal Employers for the Portland Metro Area	59
Certified, Classified and Administrative Employees	60
Student Enrollment Statistics	61
Student Enrollment and Capital Asset Statistics	62
Teacher Data	63
<b>AUDITORS' COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS</b>	64
<b>SINGLE AUDIT SECTION:</b>	
Schedule of Expenditures of Federal Awards	68
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 <i>Government</i> <i>Auditing Standards</i>	69
Independent Auditor's Report on Compliance with Requirements with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	71
Schedule of Findings and Questioned Costs	73

# Letter of Transmittal



*Rich  
in tradition -  
Focused  
on excellence*



3083 N.E. 49TH PLACE, #104  
HILLSBORO, OR 97124-6009  
TEL: 503-844-1500  
FAX: 503-844-1551  
WEB: [www.hsd.k12.or.us](http://www.hsd.k12.or.us)

November 30, 2008

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, 2008, 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.

**Audit 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 145,000. Almost all of the over 200 square miles encompassed in the District is located in Washington County. Small portions of the District are located in Multnomah and Yamhill Counties.

The District is the special purpose municipal corporation exercising financial accountability for all public education within its boundaries. As required by account 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 Districts employ a superintendent, assistant and deputy superintendents, business manager, and other specialists. The District employs 1,110 licensed teachers, counselors and librarians; 1,076 classified support staff and 73 administrators. 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, at the end of 2005, the unemployment rate for Washington County was 4.6%.

## **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 2007-08 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 reduction. 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.

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 2007-08 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 provides early retirement benefits for certain retirees. As of the end of the 2007-08 fiscal year there were 118 retired employees receiving benefits, which are financed on a 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 39 and 40.

## **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, 2008, 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, 2008, 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, 2007. This was the ninth 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**

We wish to express our appreciation to the entire Business Departments staff for their efforts and contributions to the preparation of the Comprehensive Annual Financial Report.

We 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 black ink, appearing to read 'AS', with a stylized flourish 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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**OFFICIALS OF THE DISTRICT**

**JUNE 30, 2008**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Term Expires</u>
Rebecca Lantz, Chair 6845 NW Roy Road Cornelius, Oregon, 97113	June 30, 2009
Carolyn Ortman 2293 SE Meadowlark Drive Hillsboro, Oregon 97123	June 30, 2009
Beth Graser 1447 NW 10 <sup>th</sup> Avenue 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 <sup>th</sup> Lane Hillsboro, Oregon 97123	June 30, 2011
Lisa Poehlitz 17243 SW Swank Road Sherwood, Oregon 97140	June 30, 2009
John Peterson 3156 NE 11 <sup>th</sup> Court Hillsboro, Oregon 97124	June 30, 2011

**DISTRICT ADMINISTRATION**

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

**DISTRICT ADDRESS**

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

**HILLSBORO SCHOOL DISTRICT 1J  
ORGANIZATIONAL CHART  
2007-08**

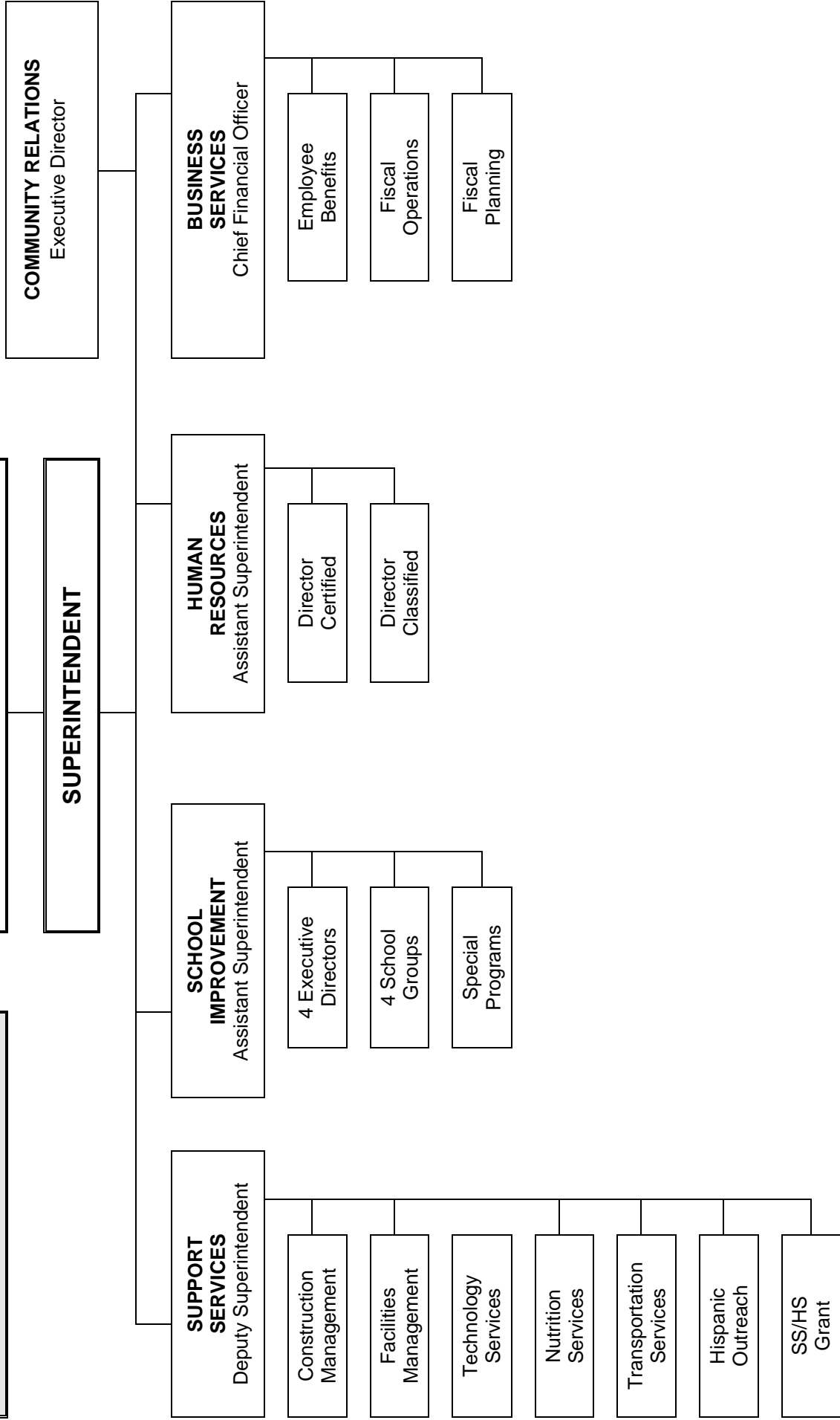
**CITIZENS**

**BOARD OF DIRECTORS**

**SUPERINTENDENT**

Policy: CC

Regulation: CC-AR



(This page intentionally left blank)



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

**CERTIFIED PUBLIC ACCOUNTANTS**

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

January 19, 2009

Board of Directors  
Hillsboro School District No. 1J  
Washington County, Oregon  
3083 NE 49<sup>th</sup> Place  
Hillsboro, OR 97124

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparison statements for the General Fund and Special Revenue Fund, the discretely presented component unit, and the aggregate remaining fund information of the Hillsboro School District No. 1J, Washington County, Oregon, as of and for the year ended June 30, 2008, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District's 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hillsboro School District No. 1J, Washington County, Oregon, at June 30, 2008 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports dated January 19, 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.

The Management's Discussion, as listed on the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no 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 Supplemental Information, including budgetary comparison schedules as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, 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 Supplemental 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 District Financial Accounting Summaries, as listed on pages 40 through 46, 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 section 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.*  
PAULY, ROGERS AND CO., P.C.

# **HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

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

**YEAR ENDED JUNE 30, 2008**

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, 2008. 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 \$57.4 million. Of this amount, \$48.4 million represents the District's investment in capital assets, \$10.8 million is restricted for debt service, \$101.5 million for Capital projects and the balance, \$(103.3) million, is unreserved and available to meet the District's ongoing obligations to citizens and creditors.
- ❖ For the fiscal year ended June 30, 2008, the District's total net assets decreased by \$60.9 million. This decrease is primarily due to the expenditure of approximately \$70.8 million of capital projects cash and investments on new school facilities. These new facilities were not complete as of June 30, 2008, therefore their value is not reflected as an increase in capital assets.
- ❖ In addition, this marks the first year that the Hillsboro School District has been required to show Other Postemployment Benefits (OPEB) obligations on its financial statements. An actuarial study conducted by Independent Actuaries, Inc. projected this Actuarial Accrued Liability at \$14.9 million as of June 30, 2008.
- ❖ The District's governmental funds show a combined ending fund balance of \$139.7 million, a reduction of \$68.8 million in comparison with the prior year. The reduction is attributable to bond proceeds that 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 \$23.6 million or about 15.6 percent of total general fund expenditures. This was an increase of approximately \$3.75 million from the previous year.
- ❖ The District's total long-term debt decreased by \$7.1 million during the 2007-08 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, 2008**

**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 3 and 4 of this report.

**Fund financial statements.** The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Hillsboro School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

# **HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

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

### **YEAR ENDED JUNE 30, 2008**

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 5 and 7 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 11 and 12 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 13-33 of this report.

**Other information.** Schedules presenting detailed budgetary information for individual funds and other supplemental information can be found on pages 34-46 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 \$57.4 million at June 30, 2008.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 44.8 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 (94.3 percent) is for the repayment of general obligation and pension bonds. Current liabilities, representing about 5.7 percent of the District's total liabilities, consist almost entirely of payables on accounts, salaries and benefits, and the current portion of long-term debt.

Most of the District's net 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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

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

**YEAR ENDED JUNE 30, 2008**

of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (property taxes or general support funds), since the capital assets themselves cannot be used to liquidate these liabilities.

Hillsboro School District 1J			
Net Assets			
(in thousands)			
	Governmental Activities		Increase (Decrease) from Fiscal 2007
	2008	2007	
Current and other assets	\$ 265,286	\$ 326,215	\$ (60,929)
Capital assets	\$ 216,921	\$ 197,009	\$ 19,921
Total assets	\$ 482,207	\$ 523,224	\$ (41,008)
Current liabilities	\$ 23,471	\$ 16,148	\$ 7,323
Long-term debt outstanding	\$ 401,239	\$ 395,127	\$ 7,112
Total liabilities	\$ 424,710	\$ 411,275	\$ 14,435
Net assets:			
Invested in capital assets, net of related debt	\$ 48,427	\$ (97,337)	\$ 145,764
Restricted	\$ 112,412	\$ 184,502	\$ (72,090)
Unrestricted	\$ (103,343)	\$ 24,783	\$ (128,126)
Total net assets	\$ 57,497	\$ 111,948	\$ (54,451)

During the current fiscal year, the District's net assets decreased by \$54.4 million due to large cash reserve from the previous year being expended on construction projects. The District's investments in capital assets, net of debt, increased to \$145.7 million due to construction projects that have been funded but not completed.

Unrestricted net assets decreased by \$128.1 million mainly because the District's carryover for Special Revenue funds decreased.

**Governmental activities.** The key elements of the change in the District's net assets for the year ended June 30, 2008 are as follows:

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)****YEAR ENDED JUNE 30, 2008**

Hillsboro School District 1J Changes in Net Assets (in thousands)			
	Governmental Activities		Increase (Decrease) from Fiscal 2007
	2008	2007	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 8,906	\$ 3,659	\$ 5,247
Operating grants and contributions	17,553	16,167	1,386
Capital grants and contributions	205	528	(323)
General revenues:			
Property taxes	75,600	58,410	17,190
State school fund - general support	104,687	86,828	17,859
Other state & local sources:			
Earnings on investments	9,340	8,195	1,145
Miscellaneous	7,597	24,676	(17,079)
	223,888	198,463	25,425
<b>Expenses:</b>			
Instruction	110,226	93,430	16,796
Support services	77,354	63,574	13,780
Enterprise and community services	9,170	7,379	1,791
Facilities acquisition and construction	65,870	832	65,038
Interest on long-term debt	22,258	11,594	10,664
Total expenses	284,878	176,809	108,069
Increase in net assets	(60,986)	21,654	(82,640)
Net assets – July 1	111,948	90,294	21,654
Prior Period Adjustment	6,535	-	6,535
Net assets – June 30	\$ 57,496	\$ 111,948	\$ (54,452)

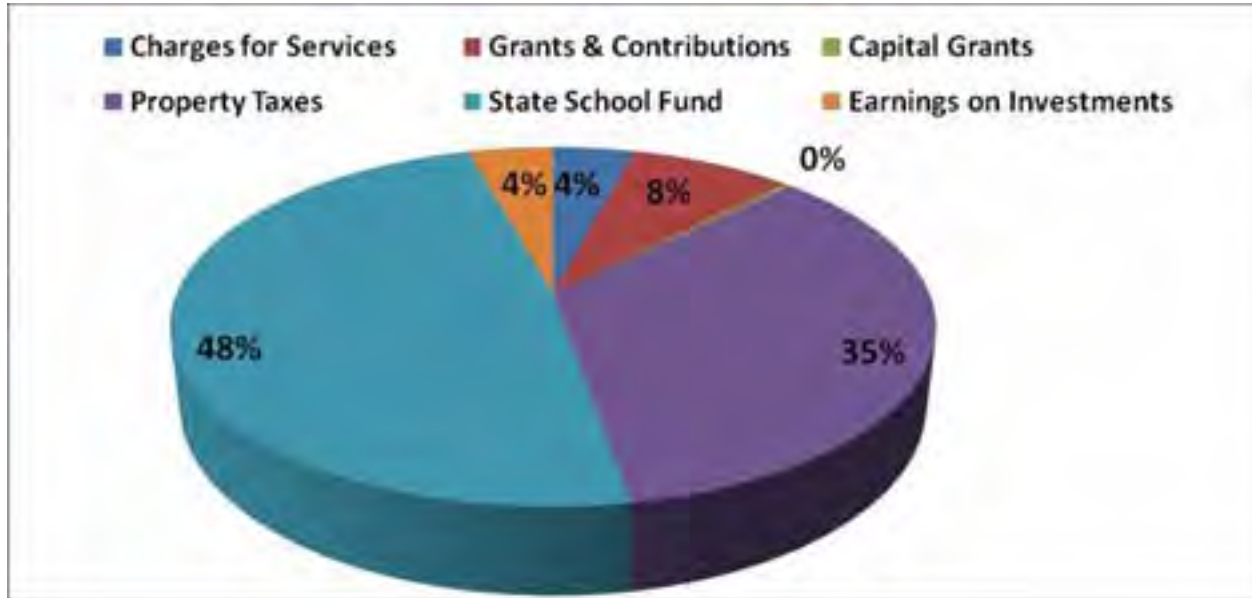
## HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

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

YEAR ENDED JUNE 30, 2008

#### REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



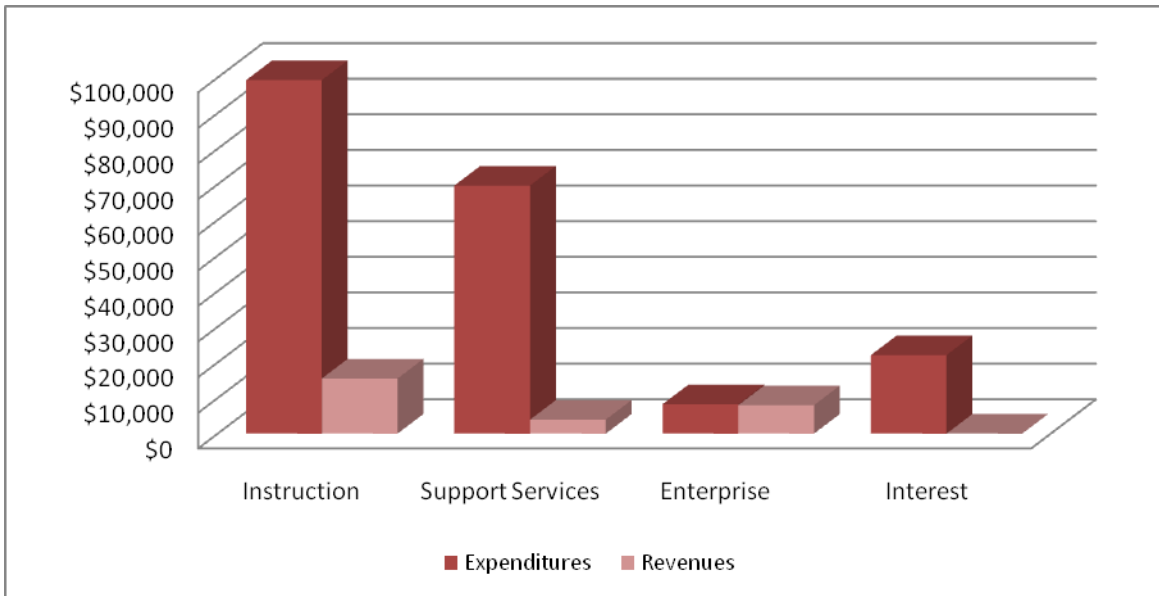
- ❖ The increase of State School Fund is the result of an increased State appropriations based on an improved economy.
- ❖ Investment earnings increased by \$1.15 million reflecting a continued upward movement in interest rates.
- ❖ Operating grants and contributions increased by \$1.59 million as the District received more federal and local grants.
- ❖ Miscellaneous Revenue decreased \$17.1 million. The underlying reason for this is the District did not issue any General Obligation Bonds during the 2007-08 fiscal year.
- ❖ Program expenses for Instruction increased by over \$5.8 million (5.87 percent) as more dollars were directed toward increased student achievement. Support Services expenses increased by over \$2.9 million (8.7 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, 2008**

**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, 2008, the District's governmental funds reported combined ending fund balances of \$139.7 million, a decrease of \$68.8 million in comparison with the prior year. About \$26.4 million (18.8 percent) of the ending fund balance constitutes *unreserved ending fund balance*, which is available for spending at the government's discretion. About 73.1 percent of fund balance (\$101.6 million) is designated for capital projects, as authorized by voters. An additional \$10.8 million is designated for debt service obligations.

- ❖ **General Fund.** The *General Fund* is the chief operating fund of the District. As of June 30, 2008, unreserved fund balance was \$23.6 million. As a measure of the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents nearly 15.6 percent of total *General Fund* expenditures.

The fund balance increased by \$3.75 million during the current fiscal year. This increase was due primarily to an increase in State School Fund revenue.

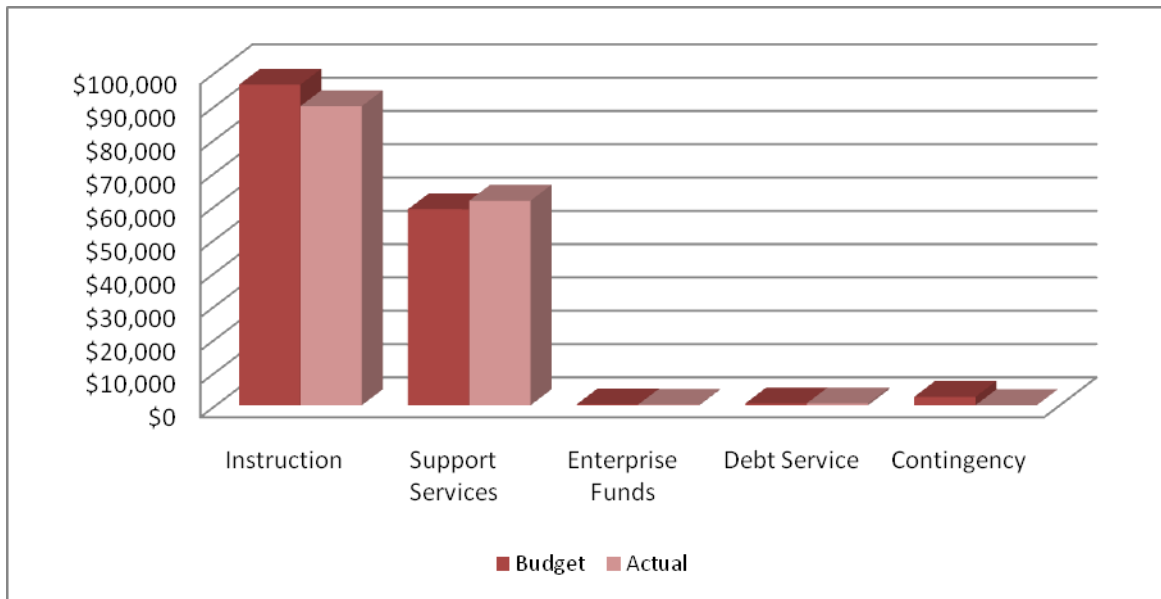
**HILLSBORO SCHOOL DISTRICT 1J**  
Washington County, Oregon

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

**YEAR ENDED JUNE 30, 2008**

- ❖ **Special Revenue Fund.** At June 30, 2008, the unreserved fund balance was \$3.6 million, which is \$188,007 less than the prior year. Expenditures were \$25.8 million as compared to \$25.3 million in revenues.
- ❖ **Debt Service Fund.** The Debt Service Fund has a total fund balance of \$10.8 million, all of which is designated for the payment of debt service. This represents a net increase in fund balance during the current year of approximately \$4.2 million. This increase is reflective of the 2006 General Obligation bonds being added to the debt service schedule.
- ❖ **Capital Projects Fund.** The Capital Projects Fund has a total fund balance of \$101.6 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 \$76.3 million. The decrease is reflective of \$83.8 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**

There were no changes made to the General Fund adopted budget for the fiscal year ended June 30, 2008.

Revenues were \$7.3 million higher than budgeted, mainly due to increased funding from the Oregon State School Fund reflecting an improved economy and enrollment growth in Hillsboro schools. During the year

# **HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

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

### **YEAR ENDED JUNE 30, 2008**

expenditures were about \$6.5 million less than budgeted. The largest share of the savings came from not having to use the budgeted amounts for contingency and the unappropriated ending balance. Savings were also gained from the hiring of new teachers to replace higher-paid retiring staff.

#### **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, 2008, the District had invested over \$216.9 million in capital assets, net of depreciation, as shown in the following table:

<b>Hillsboro School District 1J</b>				
<b>Capital Assets</b>				
<b>(in thousands)</b>				
	<b>Governmental Activities</b>			<b>Increase (Decrease)</b>
	<b>2008</b>	<b>2007</b>	<b>from</b>	
			<b>Fiscal 2007</b>	
Land	\$ 30,719	\$ 25,319	\$	5,400
Buildings and improvements	171,515	162,517		8,998
Vehicles & equipment	3,397	3,192		205
Construction in progress	11,291	5,981		5,310
Total	\$ 216,922	\$ 197,009	\$	19,913

During the year, the District's investment in capital assets increased by \$19.9 million. The major capital asset events for the year include the following:

- ❖ Purchase of property for the new Rosedale Elementary School.
- ❖ Construction in progress for the construction of three elementary schools and the remodel of two middle schools.

Additional information regarding the District's capital assets can be found on page 24 of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total debt outstanding of almost \$401 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**

Washington County, Oregon

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

**YEAR ENDED JUNE 30, 2008**

Hillsboro School District 1J Outstanding Debt (in thousands)			
	Governmental activities		Increase/ Decrease from Fiscal 2007
	2008	2007	
General Obligation Bonds	278,763	287,242	(8,479)
Certificates of Participation	4,827	5,035	(208)
PERS Pension Bonds	102,740	102,850	(110)
Post Retirement Obligations	14,909	0	14,909
Total	<u>\$ 401,239</u>	<u>\$ 395,127</u>	<u>\$ 6,112</u>

During the current fiscal year, the District did not incur any additional Long Term Debt except the Post Retirement Obligations. The District did refund the \$4,390 in Certificates of Participation during the 2007-08 school year. It is estimated that the net present value savings from this refunding is \$234,413.

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 pages 25 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, 2008, the State School Fund – General Support provided 59.0 percent of the District's program resources. The State is funded almost entirely by income tax revenue, and therefore the volatility of the economy directly impacts funding for K-12 education.

Reforms to the Public Employees Retirement System (PERS) resulted in a large unfunded liability which was transferred to districts in the form of higher employer rates. In an effort to curtail the escalating cost, the District participated in the purchase of pension bonds that spreads the liability through 2028 and increased the long-term debt of the District. The employer rate was reduced from 16.9 percent to 13.5 percent and resulted in a \$1.3 million savings to the general operational budget in 2006-07. The District

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

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

**YEAR ENDED JUNE 30, 2008**

used a portion of the savings to establish a PERS Reserve Fund with a \$750,000 transfer from General Fund. The PERS Reserve Fund will offset future increases.

The licensed contract runs through June 30, 2009, and the classified contract through June 30, 2008.

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 2007-08 increased by 55 students from 2006-07.

The District's Budget Committee and School Board considered all of these factors while preparing the District's budget for the 2008-09 fiscal year.

**REQUESTS FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

(This page intentionally left blank)

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

**STATEMENT OF NET ASSETS**

**JUNE 30, 2008**

	<u>Governmental Activities</u>	<u>Component Unit</u>
<b><u>ASSETS:</u></b>		
Cash and investments	\$ 155,404,326	\$ 10,083
Receivables	7,172,784	94,267
Supply inventory	250,576	12,300
Prepaid PERS unfunded liability	100,780,385	-
Bond issuance costs, net of accumulated amortization	300,696	-
Prepaid expenses	1,376,932	-
Capital assets:		
Not being depreciated	42,009,940	-
Being depreciated, net of accumulated depreciation	174,911,565	34,708
<b>TOTAL ASSETS</b>	<u>482,207,204</u>	<u>151,358</u>
<b><u>LIABILITIES:</u></b>		
Accounts payable	10,344,541	20,680
Accrued payroll, payroll taxes and employee withholdings	9,464,393	29,934
Accrued interest payable	732,053	-
Construction retainage	1,810,597	-
Unearned revenue	769,774	-
Accrued compensated absences payable	350,398	-
Long-term debt:		
Due within one year	14,470,321	35,000
Due in more than one year	386,768,920	-
<b>TOTAL LIABILITIES</b>	<u>424,710,997</u>	<u>85,614</u>
<b><u>NET ASSETS:</u></b>		
Invested in capital assets, net of related debt	48,427,208	34,708
Restricted for debt service	10,827,545	-
Restricted for capital projects	101,584,454	-
Unrestricted	<u>(103,343,000)</u>	<u>31,036</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 57,496,207</u>	<u>\$ 65,744</u>

The accompanying notes are an integral part of this statement

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**STATEMENT OF ACTIVITIES****FOR THE YEAR ENDED JUNE 30, 2008**

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		
<b>Instruction:</b>						
Regular programs	\$ 77,158,037	\$ 6,390,034	\$ 1,195,195	\$ -	\$ (69,572,808)	\$ (24,407)
Special programs	32,999,325	-	7,381,968	-	(25,617,357)	-
Summer school programs	68,405	-	-	-	(68,405)	-
<b>Support services:</b>						
Student services	13,923,770	-	798,419	-	(13,125,351)	(15,042)
Instructional staff services	5,414,799	-	-	-	(5,414,799)	-
General administration	1,547,086	-	-	109,820	(1,437,266)	-
School administration	14,047,312	-	-	-	(14,047,312)	-
Business services	32,488,796	178,773	2,718,533	-	(29,591,490)	-
Central activities	9,282,513	-	-	-	(9,282,513)	-
Supplemental retirement program	650,000	-	-	-	(650,000)	-
<b>Enterprise and community services:</b>						
Food services	8,252,947	2,338,045	5,052,914	-	(861,988)	-
Community services	916,995	-	406,470	95,570	(414,955)	-
Facilities improvements (non-capital)	65,870,014	-	-	-	(65,870,014)	-
Unallocated depreciation	-	-	-	-	-	(15,748)
Interest on long-term debt	22,257,859	-	-	-	(22,257,859)	-
<b>Total</b>	<b>\$ 284,877,858</b>	<b>\$ 8,906,852</b>	<b>\$ 17,553,499</b>	<b>\$ 205,390</b>	<b>(258,212,117)</b>	<b>(55,197)</b>
<b>GENERAL REVENUES:</b>						
Property taxes levied for general purposes					46,040,548	-
Property taxes levied for debt service					29,560,363	-
State School Fund - General Support					104,687,241	-
Earnings on investments					9,340,104	-
Miscellaneous					7,597,249	5,255
<b>Total general revenues</b>					<b>197,225,505</b>	<b>5,255</b>
<b>CHANGE IN NET ASSETS</b>					<b>(60,986,612)</b>	<b>(49,942)</b>
<b>NET ASSETS, July 1, 2007</b>					<b>111,947,914</b>	<b>66,488</b>
<b>PRIOR PERIOD ADJUSTMENT</b>					<b>6,534,905</b>	<b>49,198</b>
<b>NET ASSETS, June 30, 2008</b>					<b>\$ 57,496,207</b>	<b>\$ 65,744</b>

The accompanying notes are an integral part of this statement

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**BALANCE SHEET****GOVERNMENTAL FUNDS****JUNE 30, 2008**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 33,919,504	\$ 1,305,781	\$ 9,910,743	\$ 110,268,298	\$ 155,404,326
Receivables	1,759,546	3,254,866	941,364	1,217,008	7,172,784
Supply Inventory	32,129	218,447	-	-	250,576
Prepaid Expenses	634,586	-	742,346	-	1,376,932
<b>TOTAL ASSETS</b>	<b><u>36,345,765</u></b>	<b><u>4,779,094</u></b>	<b><u>11,594,453</u></b>	<b><u>111,485,306</u></b>	<b><u>164,204,618</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b><u>LIABILITIES:</u></b>					
Accounts payable	1,876,220	355,108	15,000	8,098,213	10,344,541
Accrued payroll, payroll taxes and employee withholdings	9,464,377	16	-	-	9,464,393
Construction retainage	7,958	-	-	1,802,639	1,810,597
Deferred tax revenue	1,357,150	-	751,908	-	2,109,058
Unearned revenue	-	769,774	-	-	769,774
<b>TOTAL LIABILITIES</b>	<b><u>12,705,705</u></b>	<b><u>1,124,898</u></b>	<b><u>766,908</u></b>	<b><u>9,900,852</u></b>	<b><u>24,498,363</u></b>
 <b><u>FUND BALANCES:</u></b>					
Reserved for inventory and prepaids	666,715	218,447	-	-	885,162
Reserved for scholarships	-	-	-	-	-
Reserved for student activities	-	-	-	-	-
Reserved for debt service	-	-	10,827,545	-	10,827,545
Reserved for capital construction	-	-	-	101,584,454	101,584,454
Unreserved	22,973,345	3,435,749	-	-	26,409,094
<b>TOTAL FUND BALANCES</b>	<b><u>23,640,060</u></b>	<b><u>3,654,196</u></b>	<b><u>10,827,545</u></b>	<b><u>101,584,454</u></b>	<b><u>139,706,255</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b><u>\$ 36,345,765</u></b>	 <b><u>\$ 4,779,094</u></b>	 <b><u>\$ 11,594,453</u></b>	 <b><u>\$ 111,485,306</u></b>	 <b><u>\$ 164,204,618</u></b>

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, 2008**

<b>TOTAL FUND BALANCES</b>			\$ 139,706,255
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Capital Assets	\$ 315,476,145		
Accumulated depreciation	<u>(98,554,640)</u>	216,921,505	
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.		2,109,058	
The District sold pension bonds to prepay a long-term unfunded liability for current expenditures, therefore, is not reported in the governmental funds		100,780,385	
The unamortized portion of issuance costs is not available to pay for current period expenditures, and therefore, is not reported in the governmental funds		300,696	
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	\$ (732,053)		
Bonds payable (net of premium and discount)	(278,762,595)		
Certificates of participation payable	(4,827,537)		
Other Postemployment Benefits Obligation	(14,909,109)		
PERS Pension Bonds Payable	(102,740,000)		
Accrued compensated absences payable	<u>(350,398)</u>	<u>(402,321,692)</u>	
<b>TOTAL NET ASSETS</b>			<b><u>\$ 57,496,207</u></b>

The accompanying notes are an integral part of this statement

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS****FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 45,656,079	\$ -	\$ 29,314,555	\$ -	\$ 74,970,634
Charges for services	547,903	6,461,775	-	-	7,009,678
Earnings on investments	1,916,038	1,817	534,883	6,887,366	9,340,104
Other	1,432,885	-	5,287,224	6,158	6,726,267
Intermediate sources	2,377,387	409,321	-	500,000	3,286,708
State sources	103,614,643	1,072,598	-	-	104,687,241
Federal sources	-	17,327,027	-	-	17,327,027
<b>Total Revenues</b>	<b>155,544,935</b>	<b>25,272,538</b>	<b>35,136,662</b>	<b>7,393,524</b>	<b>223,347,659</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction	89,792,841	9,465,314	-	-	99,258,155
Support services	61,414,596	8,242,826	-	-	69,657,422
Enterprise and community services	156,752	8,100,768	-	-	8,257,520
Facilities and acquisition Capital outlay	-	-	-	83,737,559	83,737,559
Debt service:					
Other	-	-	30,931	-	30,931
Principal	280,000	-	9,090,000	-	9,370,000
Interest	272,863	-	21,767,591	-	22,040,454
<b>Total Expenditures</b>	<b>151,917,052</b>	<b>25,808,908</b>	<b>30,888,522</b>	<b>83,737,559</b>	<b>292,352,041</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,627,883</b>	<b>(536,370)</b>	<b>4,248,140</b>	<b>(76,344,035)</b>	<b>(69,004,382)</b>
<b>OTHER FINANCING SOURCES, (USES)</b>					
Bond Proceeds	39,068	-	-	-	39,068
Sale or Compensation for loss of fixed asset	84,779	3,100	6,363	-	94,242
<b>Total Other Financing Sources, (Uses)</b>	<b>123,847</b>	<b>3,100</b>	<b>6,363</b>	<b>-</b>	<b>133,310</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>3,751,730</b>	<b>(533,270)</b>	<b>4,254,503</b>	<b>(76,344,035)</b>	<b>(68,871,072)</b>
<b>FUND BALANCES</b>					
July 1, 2007	19,888,330	3,842,203	6,573,042	177,928,489	208,232,064
Prior period adjustment	-	345,263	-	-	345,263
<b>FUND BALANCES</b> June 30, 2008	<b>\$ 23,640,060</b>	<b>\$ 3,654,196</b>	<b>\$ 10,827,545</b>	<b>\$ 101,584,454</b>	<b>\$ 139,706,255</b>

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, 2008**

**NET CHANGES IN FUND BALANCES** \$ (68,871,072)

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	\$ 17,898,476	
Depreciation, net	<u>(4,176,487)</u>	13,721,989

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

Amortization of issuance costs, net	(96,482)
-------------------------------------	----------

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

(217,405)
-----------

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.

(1,722,332)
-------------

Debt Issued	(4,390,000)
-------------	-------------

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.

630,277
---------

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.

<u>(41,587)</u>
-----------------

**CHANGE IN NET ASSETS**

<u><u>\$ (60,986,612)</u></u>
-------------------------------

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, 2008**

	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance with Final Budget Positive (Negative)</u></b>
<b>REVENUES:</b>				
Local sources:				
Property taxes	\$ 46,616,732	\$ 46,616,732	\$ 45,656,079	\$ (960,653)
Charges for services	525,000	525,000	547,903	22,903
Earnings on investments	1,300,000	1,300,000	1,916,038	616,038
Other	1,087,500	1,087,500	1,432,885	345,385
Intermediate sources	3,550,000	3,550,000	2,377,387	(1,172,613)
State sources	95,198,550	95,198,550	103,614,643	8,416,093
<b>Total Revenues</b>	<b><u>148,277,782</u></b>	<b><u>148,277,782</u></b>	<b><u>155,544,935</u></b>	<b><u>7,267,153</u></b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	96,251,475	96,251,475 (1)	89,792,841	6,458,634
Support services	58,827,344	58,827,344 (1)	61,414,596	(2,587,252)
Enterprise Funds	246,100	246,100 (1)	156,752	89,348
Debt Service	552,863	552,863 (1)	552,863	-
Contingency	2,500,000	2,500,000 (1)	-	2,500,000
<b>Total Expenditures</b>	<b><u>158,377,782</u></b>	<b><u>158,377,782</u></b>	<b><u>151,917,052</u></b>	<b><u>6,460,730</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(10,100,000)</b>	<b>(10,100,000)</b>	<b>3,627,883</b>	<b>13,727,883</b>
<b>OTHER FINANCING SOURCES, (USES)</b>				
Bond proceeds	50,000	50,000	39,068	10,932
Sale or compensation for loss of fixed asset	50,000	50,000	84,779	34,779
<b>Total Other Financing Sources, (Uses)</b>	<b><u>100,000</u></b>	<b><u>100,000</u></b>	<b><u>123,847</u></b>	<b><u>23,847</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(10,000,000)</b>	<b>(10,000,000)</b>	<b>3,751,730</b>	<b>13,751,730</b>
<b>FUND BALANCES, July 1, 2007</b>	<b><u>18,500,000</u></b>	<b><u>18,500,000</u></b>	<b><u>19,888,330</u></b>	<b><u>1,388,330</u></b>
<b>FUND BALANCES, June 30, 2008</b>	<b><u>\$ 8,500,000</u></b>	<b><u>\$ 8,500,000</u></b>	<b><u>\$ 23,640,060</u></b>	<b><u>\$ 15,140,060</u></b>

(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, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
Local sources:				
Charges for services	\$ 7,926,555	\$ 7,926,555	\$ 6,461,775	\$ (1,464,780)
Earnings on investments	-	-	1,817	1,817
Intermediate sources	75,000	75,000	409,321	334,321
State sources	681,000	681,000	1,072,598	391,598
Federal sources	16,451,916	16,451,916	17,327,027	875,111
<b>Total Revenues</b>	<b>25,134,471</b>	<b>25,134,471</b>	<b>25,272,538</b>	<b>138,067</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	10,670,000	10,670,000 (1)	9,465,314	1,204,686
Support services	9,275,000	9,275,000 (1)	8,242,826	1,032,174
Enterprise and community services	8,131,982	8,131,982 (1)	8,100,768	31,214
<b>Total Expenditures</b>	<b>28,076,982</b>	<b>28,076,982</b>	<b>25,808,908</b>	<b>2,268,074</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,942,511)</b>	<b>(2,942,511)</b>	<b>(536,370)</b>	<b>2,406,141</b>
<b>OTHER FINANCING SOURCES, (USES)</b>				
Sale or compensation for loss of fixed asset	700,000	700,000	3,100	(696,900)
<b>Total Other Financing Sources, (Uses)</b>	<b>700,000</b>	<b>700,000</b>	<b>3,100</b>	<b>(696,900)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,242,511)</b>	<b>(2,242,511)</b>	<b>(533,270)</b>	<b>1,709,241</b>
<b>FUND BALANCES, July 1, 2007</b>	<b>2,242,511</b>	<b>2,242,511</b>	<b>3,842,203</b>	<b>1,599,692</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>345,263</b>	<b>345,263</b>
<b>FUND BALANCES, June 30, 2008</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,654,196</b>	<b>\$ 3,654,196</b>

(1) Appropriation Level

The accompanying notes are an integral part of this statement

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

**STATEMENT OF FIDUCIARY FUND NET ASSETS**

**JUNE 30, 2008**

	<b>Pension Trust Fund</b>	<b>PERS Reserve Fund</b>
<b>ASSETS:</b>		
Cash and investments	<u>\$ 777,320</u>	<u>\$ 1,500,000</u>
<b>NET ASSETS:</b>		
Held in trust for post employment benefits	<u>\$ 777,320</u>	
Held in trust for increased PERS cost in 2007-09		<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, 2008**

	<b><u>Pension Trust Fund</u></b>	<b><u>PERS Reserve Fund</u></b>
<b>ADDITION:</b>		
Employer contributions	<u>\$ 650,000</u>	<u>\$ -</u>
<b>DEDUCTION:</b>		
Post employment benefits	<u>330,488</u>	<u>-</u>
<b>INCREASE/DECREASE IN NET ASSETS</b>	319,512	-
<b>NET ASSETS - held in trust for post employment benefits - July 1, 2007</b>	<u>457,808</u>	<u>1,500,000</u>
<b>NET ASSETS - held in trust for post employment benefits - June 30, 2008</b>	<u><u>\$ 777,320</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 (Continued)

YEAR ENDED JUNE 30, 2008

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hillsboro School District 1J (the District) was formed on July 1, 1996, with the merger of seven school districts. The District is a municipal corporation governed by an elected seven-member Board of Directors (Board) which approves the administrative officials. The daily functioning of the District is under the supervision of the Superintendent-Clerk. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

The District qualifies as a primary government since it has a separately elected governing body, is a legally separate entity, and is fiscally independent. There are various governmental agencies and special service districts that provide service within the District's boundaries. However, the District is not financially accountable for any of these entities and, therefore, none of them are considered component units or included in these basic financial statements.

The District has one component unit, City View Charter School. The charter school was organized under the provisions for Oregon Revised Statutes Chapter 338 for the purposes of operating a charter school. The charter school is considered a component unit because the District is the body that has the authority to approve or revoke the school's charter agreement establishing its charter school status. Component units representing City View Charter School are discretely presented. Oregon Revised Statutes also require that charter schools be reported as component units of the school districts with charter approval authority. Detailed information about the school's financial statements is contained in the component unit financial report of the City View Charter School, which is issued separately.

#### **Basis of Presentation**

##### **Government-wide Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the District. These statements include the governmental financial activities of the overall District, except fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed through property taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function/program. Direct expenses are those that are specifically associated with a function/program and, therefore, are clearly identifiable to that function/program. The District does not allocate indirect expenses. Program

HILLSBORO SCHOOL DISTRICT IJ  
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

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

**Basis of Presentation (Continued)**

revenues include: (1) charges to students or others for tuition, fees, rentals, materials, supplies, or services provided, (2) operating grants and contributions, and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

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

Net assets are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws), or imposed through constitutional provisions or enabling resolutions.

**Fund Financial Statements**

The fund financial statements provide information about the District's funds including those of a fiduciary nature. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major funds:

*General Fund.* This fund is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.

*Special Revenue Fund.* This fund accounts for revenues and expenditures of grants restricted for particular educational projects. Principal revenue sources are federal and state grants.

*Debt Service Fund.* This fund provides for the payment of principal and interest on general obligation bonded debt. The principal revenue source is property taxes.

*Capital Projects Fund.* This fund accounts for activities related to the acquisition, construction, equipping, and furnishing of facilities. Principal revenue sources are proceeds from the sale of bonds received in prior years and interest earnings.

HILLSBORO SCHOOL DISTRICT IJ  
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

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

**Basis of Presentation (Continued)**

The District also reports the following fund type:

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

**Measurement Focus and Basis of Accounting**

Government-wide statements and fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments (which are generally liquidated by the General Fund), and are

HILLSBORO SCHOOL DISTRICT IJ  
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

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

**Measurement Focus and Basis of Accounting (Continued)**

recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

**Use of Estimates**

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

**Cash, Cash Equivalents and Investments**

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

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

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

**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, 2008

**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. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of two years. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2008

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

**Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay, including related payroll taxes, is accrued when earned in the government-wide financial statements. The total payment for compensated absences due within one year is approximately \$350,398.

A liability and expenditure for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Payment of compensated absences is made by the governmental funds for which the eligible employee salary is recorded.

**Long-term Debt**

In the government-wide financial statements, long-term debt is reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

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

**Fund Equity**

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

HILLSBORO SCHOOL DISTRICT IJ

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

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

**Stewardship, Compliance, and Accountability**

**Budgetary Information**

A budget is prepared and legally adopted for each fund in accordance with Oregon Local Budget Law. The budget is prepared using the modified accrual basis of accounting.

The budgeting process begins by appointing Budget Committee members in late fall. Budget recommendations are developed by management through spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June, and the hearing is held in June. The budget is adopted, appropriations are made and the tax levy is declared no later than June 30. Expenditure budgets are appropriated at the major function level (instruction, support services, community services, debt service, contingency, and transfers) for each fund. Expenditure appropriations may not legally be over expended, except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted.

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

Budget amounts shown in the basic financial statements include the original budget amounts plus one appropriation resolution during the year. Appropriations lapse at the end of each fiscal year.

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

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

Expenditures of the various funds were within authorized appropriations except the General Fund. Support services were overexpensed by \$2,587,252. Debt Service, Expenditures were overexpensed by \$30,928.

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2008

**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 basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America with the exceptions that capital outlay expenditures are expensed when purchased and depreciation is not calculated, property taxes are recorded as revenue when received, and inventories of supplies are budgeted as expenditures when purchased and debt is expensed as paid instead of when incurred.

**2. CASH AND INVESTMENTS**

Cash and investments are comprised of:

Cash on hand	\$ 2,800
Cash with County Treasurer	289,828
Deposits with financial institutions:	
Demand deposits	15,854,251
Money market	23,475,195
Investments (Banker's acceptance and LGIP)	118,059,572
Total	<u>\$ 157,681,646</u>

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

Statement of Net Assets:	
Cash and investments	\$ 155,404,326
Statement of Fiduciary Net Assets:	
Cash and investments	2,277,320
Total	<u><u>\$ 157,681,646</u></u>

The bank balance at the highest month was \$85,502,395 (plus student body balance), in December 2007. Of these deposits, \$344,807 was covered by federal depository insurance and \$10,750,500 was covered by collateral held in the pledging

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2008

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

bank's trust department in the District's name. The remaining \$32,251,499 was uninsured or uncollateralized. Oregon Revised Statutes require depository institutions to maintain on deposit, with a collateral pool manager, securities having a value of not less than 25 percent of the outstanding certificates of participation issued by the pool manager.

Collateral Certificates:

US Bank	\$	70,000,000
Wells Fargo		600,000
Washington Mutual		250,000
Total	\$	<u>70,850,000</u>

Policies officially adopted by the District's Board authorize the District to invest 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).

There were no known violations of legal or contractual provisions for deposits.

As of June 30, 2008, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
Certificates of Deposit	\$ 2,087,068	\$ 2,087,068	\$ -	\$ -
U.S. Government Agency FCDN	-	-	-	-
U.S. Government Agency FFCB	5,293,261	-	5,293,261	-
U.S. Government Agency FHLB	29,459,008	2,998,715	17,369,870	9,090,423
U.S. Government Agency FHLMC	12,645,759	-	11,284,459	1,361,300
U.S. Government Agency FICO	5,323,207	5,323,207	-	-
U.S. Government Agency FNLB	-	-	-	-
U.S. Government Agency FMCDN	-	-	-	-
U.S. Government FNMA	25,814,377	7,016,939	18,797,438	-
State Treasurer's Investment Pool	37,436,892	37,436,892	-	-
Total	<u>\$ 118,059,572</u>	<u>\$ 54,862,821</u>	<u>\$ 52,745,028</u>	<u>\$ 10,451,723</u>

HILLSBORO SCHOOL DISTRICT IJ  
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

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

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

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

The District limits investment maturities as follows:

<u>Maturity</u>	<u>Minimum to Mature</u>
Under 3 months	25% minimum
Under 18 months	75% minimum
Under 60 months	100% minimum

Credit Risk – Neither the Oregon Revised Statutes or the District’s investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies. The District’s investments in U.S. Government Agencies were rated AAA by Standard & Poor’s and Aaa by Moody’s Investor Service. The State 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, 2008, the District was in compliance with all percentage restrictions.

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2008

**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>Fund Concentrations Exceeding Total Entity Concentration</u>	
			<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Certificates of Deposit	1.77%	100%		
U.S. Government Agency FCDN	0.00%	100%		
U.S. Government Agency FFCB	4.48%	100%		
U.S. Government Agency FHLB	24.95%	100%		
U.S. Government Agency FHLMC	10.71%	100%		
U.S. Government Agency FICO	4.51%	100%		
U.S. Government Agency FNLB	0.00%	100%		
U.S. Government Agency FMCDN	0.00%	100%		
U.S. Government FNMA	21.87%	100%		
State Treasurer's Investment Pool	31.71%	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 Wahington County. No allowance for uncollectible accounts has been recorded because all receivables are considered to be collectible.

Receivables are comprised of the following:

Property taxes	\$ 2,510,023
Grants	3,080,530
Interest and other	1,582,231
Total	<u>\$ 7,172,784</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2008

**4. CAPITAL ASSETS**

Capital assets activity for the year was as follows:

Capital Assets Year Ended June 30, 2008	July 1, 2007	Adjustment	Increase	Retirements	June 30, 2008
Capital assets not being depreciated:					
Land	\$ 25,319,033	\$5,400,000	\$ -	\$ -	\$ 30,719,033
CIP	5,980,615	-	5,310,292	-	11,290,907
Total capital assets not being depreciated	<u>31,299,648</u>	<u>5,400,000</u>	<u>5,310,292</u>	<u>-</u>	<u>42,009,940</u>
Capital assets being depreciated:					
Building and improvements	224,157,320	7,119	13,462,786	-	237,627,225
Original furniture and fixtures	23,183,035	3	-	-	23,183,038
Equipment	2,299,264	-	45,485	(63,218)	2,281,531
Motor vehicles	9,415,715	-	791,766	(526,613)	9,680,868
Information technology equipment	1,815,565	-	575,842	(1,697,864)	693,543
Total capital assets being depreciated	<u>260,870,899</u>	<u>7,122</u>	<u>14,875,879</u>	<u>(2,287,695)</u>	<u>273,466,205</u>
Less accumulated depreciation for:					
Building and improvements	(65,665,806)	518,650	(5,070,823)	-	(70,217,979)
Original furniture and fixtures	(19,157,171)	326,827	(247,376)	-	(19,077,720)
Equipment	(1,651,329)	(74,283)	(108,196)	60,218	(1,773,590)
Motor vehicles	(7,155,890)	31,213	(727,120)	525,204	(7,326,593)
Information technology equipment	(1,530,475)	(19,887)	(188,066)	1,579,670	(158,758)
Total accumulated depreciation	<u>(95,160,671)</u>	<u>782,520</u>	<u>(6,341,581)</u>	<u>2,165,092</u>	<u>(98,554,640)</u>
Total capital assets being depreciated, net	<u>165,710,228</u>	<u>789,642</u>	<u>8,534,298</u>	<u>(122,603)</u>	<u>174,911,565</u>
Total capital assets, net	<u>\$ 197,009,876</u>	<u>\$6,189,642</u>	<u>\$13,844,590</u>	<u>\$ (122,603)</u>	<u>\$ 216,921,505</u>

Hillsboro School District is in the process of building four elementary schools, one middle school, completing a major remodel of three middle schools, and doing major upgrades to schools district wide as defined in the November 2006 bond measure approved by voters. Three elementary schools are set to open in September 2008 and one elementary plus the new middle school in September 2009.

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2008

**4. CAPITAL ASSETS (continued)**

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

<u>PROGRAM</u>	<u>DEPRECIATION</u>
Regular Programs	21,000
Special Programs	-
Business Services	5,776,943
Central Activities	435,441
Enterprise and Community Services	-
Food Service	108,196
Community Services	-
Total Depreciation	<u>\$ 6,341,581</u>

**5. COMPENSATED ABSENCES**

Activity for compensated absences, all of which are considered due within one year, for the year ended June 30, 2008 as follows:

Balance July 1, 2007	\$ 308,111
Additions	350,398
Payments	(308,111)
Balance June 30, 2008	<u>\$ 350,398</u>

**6. LONG-TERM DEBT**

Long-term debt is comprised of:

Bonds payable	\$ 278,762,595
Certificates of participation	4,827,537
Post Retirement Obligation	14,909,109
PERS Pension Bonds	102,740,000
Balance June 30, 2008	<u>\$ 401,239,241</u>
Due within one year	<u>\$ 14,470,321</u>
Due in more than one year	<u>\$ 386,768,920</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2008

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

**Bonds Payable**

Bonds payable transactions for the year are as follows:

Description	Original Issue	Outstanding July 1, 2007	Additions	Matured and Redeemed	Outstanding July 30, 2008	Due Within One Year
Hillsboro Elementary District No 7, issued April 1, 1993, interest at 2.7-5.1%	3,830,000	685,000	-	335,000	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	1,580,000	-	390,000	1,190,000	355,000
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	19,750,000	-	2,070,000	17,680,000	2,165,000
Hillsboro School District 1J, issued March 1999, partially refunded May 2005, interest rate 4.0-5.3%	37,300,000	3,735,000	-	1,830,000	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	18,635,000	-	4,355,000	14,280,000	4,530,000
Hillsboro School District 1J refunding issue May 2005, interest 3.7-5.12%	78,055,000	74,900,000	-	-	74,900,000	315,000
Hillsboro School District 1J issued December 19, 2006, interest at 4.0-5.0%	168,996,712	168,996,712	-	-	168,996,712	4,085,000
Total		288,281,712	-	8,980,000	279,301,712	13,705,000
Unamortized Premium		1,039,360	-	500,243	539,117	500,231
Grand Total		287,242,352	-	9,480,243	278,762,595	13,204,769

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2008

**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>
2008-09	\$ 13,765,000	\$ 12,946,168
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	10,078,851
2013-2018	100,665,000	37,028,200
2018-2023	64,015,000	15,766,500
2023-2028	<u>35,081,712</u>	<u>18,085,288</u>
TOTAL	<u>\$ 279,301,712</u>	<u>\$ 128,670,548</u>

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

**Other Long-Term Debt**

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

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2008

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

**Other Long-Term Debt (Continued)**

The issuance of the bonds was evaluated based on advance refunding criteria. The total estimated present value savings over the life of the issuance is approximately \$30.8 million. The actual savings realized by the District over the life of the bonds is uncertain due to various legislative changes and legal issues pending with the PERS system, which could impact the District's future required contribution rate.

Description	Outstanding July 1, 2007	Increases	Decreases	Outstanding July 30, 2008	Due Within One Year
Certificate of Participation	\$ 5,055,000	\$ 4,390,000	\$ (4,450,000)	\$ 4,995,000	\$ 355,000
Unamortized Discount	(20,455)	(148,582)	1,574	(167,463)	(13,956)
Net COPs	<u>5,034,545</u>	<u>4,241,418</u>	<u>(4,448,426)</u>	<u>4,827,537</u>	<u>341,044</u>
PERS Pension Bonds	102,850,000	-	(110,000)	102,740,000	410,000
Grand Total	<u>\$ 107,884,545</u>	<u>\$ 4,241,418</u>	<u>\$ (4,558,426)</u>	<u>\$ 107,567,537</u>	<u>\$ 751,044</u>

*Advance Refunding Bonds.* On May 29, 2008, the District issued \$4,390,000 in Series 2008, Full Faith and Credit Refunding Obligations 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, 2008

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

**Other Long-Term Debt (Continued)**

Future maturities of principal are as follows:

<u>Fiscal Year Ending June 30, 2008</u>	<u>Principal</u>	<u>Interest</u>
2008-09	\$ 765,000	\$ 4,999,914
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
2013-2018	18,815,000	22,134,319
2018-2023	33,800,000	16,462,412
2023-2028	47,775,000	6,565,992
TOTAL	<u>\$ 107,735,000</u>	<u>\$ 69,797,781</u>

**7. INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2008, are as follows:

Transfers in:	Pension Trust Fund	\$650,000
Transfers out:	General Fund	\$650,000

The District made transfers totaling \$650,000 from the General Fund to Non-major Governmental Funds. This amount was transferred to the Pension Reserve fund to pay negotiated stipends for retired employees.

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The District implemented GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension for the fiscal year ended June 30, 2008. This implementation allows the district to report its liability for other postemployment 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.

HILLSBORO SCHOOL DISTRICT IJ  
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

**8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

The District maintains single employer postemployment 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 total expense for benefits to teachers and administrators retired under these programs was \$330,488. The District covers these obligations through annual appropriations on a pay-as-you-go basis.

Program membership at year-end was 26 licensed and 13 administrators.

*Annual OPEB Cost and net OPEB Obligation.* The district's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (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 over a period not to exceed 30 years.

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2008

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

The following table shows the components of the District's annual OPEB costs for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligations.

	<u>Governmental Activities</u>
Annual required contribution	\$ 1,296,250
Interest on net OPEB	<u>64,813</u>
Annual OPEB cost (expense)	1,361,063
Change in net OPEB obligation	<u>14,909,109</u>
OPEB obligation at beginning of year	-
OPEB obligation at end of year	<u>14,909,109</u>
	<u>\$ 14,909,109</u>

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, such as assumptions about future terminations, morality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

HILLSBORO SCHOOL DISTRICT IJ  
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

**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 current rate is 16.74 percent of salary covered under the plan. 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 District's contributions to PERS for the years ended June 30, 2008, 2007, and 2006 were approximately \$12,898,263, \$11,752,738, and \$10,945,871, respectively, equal to the required contributions for each year.

**10. RISK MANAGEMENT**

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

YEAR ENDED JUNE 30, 2008

**10. RISK MANAGEMENT (CONTINUED)**

Settlements have not exceeded insurance coverage for each of the three years ended June 30, 2008.

**11. COMMITMENTS AND CONTINGENCIES**

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

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

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

**10. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment in the amount of \$345,263 was made to the beginning fund balance of the Special Revenue Funds and Statement of Activities. This adjustment was made to correctly reflect the beginning fund balance for the Student Body accounts.

A prior period adjustment in the amount of \$6,189,642 was also made to the beginning net assets in the Statement of Activities. This adjustment was made to correctly report capital assets as a result of a land purchase in the amount of \$5,400,000 which took place on June 30, 2007, but was not capitalized in the prior year. Also assets that were reported in 2007 were over depreciated beyond their original cost, making up the remainder of the adjustments.

**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, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Local sources:				
Taxes - current year's levy	\$ 28,974,163	\$ 28,974,163	\$ 29,019,537	\$ 45,374
Taxes- prior years' levies	213,000	213,000	239,218	26,218
Taxes- penalties and interest	21,200	21,200	55,800	34,600
Interest on investments	431,000	431,000	534,883	103,883
Miscellaneous	4,754,095	4,754,095	5,287,224	533,129
<b>Total local sources</b>	<u>34,393,458</u>	<u>34,393,458</u>	<u>35,136,662</u>	<u>743,204</u>
Federal sources:				
Other revenue in lieu of taxes	4,150	4,150	-	(4,150)
<b>Total revenues</b>	<u>34,397,608</u>	<u>34,397,608</u>	<u>35,136,662</u>	<u>739,054</u>
<b>EXPENDITURES:</b>				
Other sources:				
Debt service:				
Principal	9,090,000	9,090,000	9,090,000	-
Other	-	-	30,931	(30,931)
Interest	21,767,594	21,767,594	21,767,591	3
<b>Total expenditures</b>	<u>30,857,594</u>	<u>30,857,594</u>	<u>(1) 30,888,522</u>	<u>(30,928)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>3,540,014</u>	<u>3,540,014</u>	<u>4,248,140</u>	<u>769,982</u>
<b>OTHER FINANCING SOURCES, (USES)</b>				
Sale or compensation for loss of fixed asset	-	-	6,363	(6,363)
Bond Proceeds	-	-	4,390,000	(4,390,000)
Bond premium	-	-	148,583	(148,583)
Payment to escrow	-	-	(4,434,219)	4,434,219
Issuance costs	-	-	(104,364)	(104,364)
<b>Total Other Financing Sources, (Uses)</b>	<u>-</u>	<u>-</u>	<u>6,363</u>	<u>(215,091)</u>
<b>FUND BALANCE, July 1, 2007</b>	<u>5,480,689</u>	<u>5,480,689</u>	<u>6,573,042</u>	<u>1,092,353</u>
<b>FUND BALANCE, June 30, 2008</b>	<u>\$ 9,020,703</u>	<u>\$ 9,020,703</u>	<u>\$ 10,827,545</u>	<u>\$ 1,647,244</u>

(1) Appropriation Level

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

**CAPITAL PROJECTS FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Local sources:				
Interest on investments	\$ 5,150,000	\$ 5,150,000	\$ 6,887,366	\$ 1,737,366
Miscellaneous	-	-	6,158	6,158
<b>Total Local Sources</b>	<u>5,150,000</u>	<u>5,150,000</u>	<u>6,893,524</u>	<u>1,743,524</u>
Intermediate sources:				
Other Intermediate Sources	-	-	500,000	500,000
<b>Total Revenues</b>	<u>5,150,000</u>	<u>5,150,000</u>	<u>7,393,524</u>	<u>2,243,524</u>
<b>EXPENDITURES:</b>				
Instructional services				
High School Instruction:				
Supplies and materials	500,000	500,000	-	500,000
Facilities acquisition and construction:				
Service area direction:				
Salaries and wages	340,000	340,000	273,119	66,881
Employee benefits	86,800	86,800	99,831	(13,031)
Purchased services	100,000	100,000	4,251	95,749
Supplies and materials	100,000	100,000	6,384	93,616
Building acquisition and construction:				
Salaries and wages	-	-	11,946	(11,946)
Employee benefits	-	-	1,547	(1,547)
Purchased services	77,750,000	77,750,000	9,274,071	68,475,929
Supplies and materials	200,000	200,000	2,284,660	(2,084,660)
Capital outlay	101,073,200	101,073,200	64,163,146	36,910,054
Other	-	-	2,078,542	(2,078,542)
Other facilities construction:				
Purchased services	-	-	135,000	(135,000)
Supplies and materials	-	-	-	-
Capital outlay	-	-	5,405,062	(5,405,062)
<b>Total Facilities Acquisition and Construction</b>	<u>180,150,000</u>	<u>180,150,000</u>	<u>(1) 83,737,559</u>	<u>96,412,441</u>
<b>NET CHANGE IN FUND BALANCE</b>	(175,000,000)	(175,000,000)	(76,344,035)	98,655,965
<b>FUND BALANCE, July 1, 2007</b>	<u>175,000,000</u>	<u>175,000,000</u>	<u>177,928,489</u>	<u>2,928,489</u>
<b>FUND BALANCE, June 30, 2008</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,584,454</u>	<u>\$ 101,584,454</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, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Local sources:				
Charges to other funds	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ -</u>
<b>EXPENDITURES:</b>				
Support services:				
Early retirement program:				
Salaries and wages	800,000	800,000	297,750	502,250
Employee benefits	<u>200,000</u>	<u>200,000</u>	<u>32,738</u>	<u>167,262</u>
<b>Total Expenditures</b>	<u>1,000,000</u>	<u>1,000,000</u>	(1) <u>330,488</u>	<u>669,512</u>
<b>NET CHANGE IN FUND BALANCE</b>	(350,000)	(350,000)	319,512	(30,488)
<b>FUND BALANCE, July 1, 2007</b>	<u>350,000</u>	<u>350,000</u>	<u>457,808</u>	<u>807,808</u>
<b>FUND BALANCE, June 30, 2008</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 777,320</u>	<u>\$ 777,320</u>

(1) Appropriation Level

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF BONDED DEBT TRANSACTIONS**

**FOR THE YEAR ENDED JUNE 30, 2008**

Issue Date	Outstanding June 30, 2007	Matured and Redeemed	Outstanding June 30, 2008	Interest	
				Interest Coupon Rates	Matured and Redeemed
Hillsboro Elementary School District No. 7:					
April 1, 1993	\$ 685,000	\$ 335,000	\$ 350,000	2.7 to 5.1%	\$ 34,935
Reedville School District No. 29:					
August 1, 1993	1,465,000	335,000	1,130,000	4.5 to 5.2%	67,303
July 1, 1994	115,000	55,000	60,000	5.4 to 5.8%	6,670
Hillsboro School District 1J:					
March 1, 1993	19,750,000	2,070,000	17,680,000	4.0 to 5.0%	925,188
March 1, 1999	3,735,000	1,830,000	1,905,000	4.0 to 5.3%	158,775
February 1, 2001	18,635,000	4,355,000	14,280,000	3.8 to 5.1%	888,200
May, 2005	74,900,000	-	74,900,000	3.0 to 5.1%	3,871,013
November, 2006	168,996,712	-	168,996,712	-	10,989,414
	<u>\$ 288,281,712</u>	<u>\$ 8,980,000</u>	<u>\$ 279,301,712</u>	<u>-</u>	<u>\$ 16,941,498</u>
PERS Pension Bonds					
June 21, 2005	<u>\$ 102,850,000</u>	<u>\$ 110,000</u>	<u>\$ 102,740,000</u>	<u>3.7 to 4.8%</u>	<u>\$ 4,826,095</u>

(This page intentionally left blank)

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**

**PRINCIPAL**

<b>Hillsboro Elementary</b>				
<b>Fiscal Year</b>	<b>Total</b>	<b>April 1, 1993</b>	<b>August 1, 1993</b>	<b>July 1, 1994</b>
2008-2009	13,765,000	350,000	355,000	60,000
2009-2010	14,920,000	-	380,000	-
2010-2011	16,505,000	-	395,000	-
2011-2012	16,535,000	-	-	-
2012-2013	17,815,000	-	-	-
2013-2018	88,560,000	-	-	-
2018-2023	76,120,000	-	-	-
2023-2028	35,081,712	-	-	-
	<b>279,301,712</b>	<b>\$ 350,000</b>	<b>\$ 1,130,000</b>	<b>\$ 60,000</b>

**INTEREST**

<b>Fiscal</b>	<b>Total</b>	<b>April 1, 1993</b>	<b>August 1, 1993</b>	<b>July 1, 1994</b>
2008-2009	12,946,168	17,850	49,530	3,480
2009-2010	12,312,570	-	30,420	-
2010-2011	11,607,983	-	10,270	-
2011-2012	10,844,988	-	-	-
2012-2013	10,078,851	-	-	-
2013-2018	36,392,687	-	-	-
2018-2023	16,402,013	-	-	-
2023-2028	18,085,288	-	-	-
	<b>128,670,548</b>	<b>\$ 17,850</b>	<b>\$ 90,220</b>	<b>\$ 3,480</b>

**PRINCIPAL**

---

Hillsboro School District 1J

March 1, 1998	March 1, 1999	February 6, 2001	May 26, 2005	December 19, 2006
\$ 2,165,000	\$ 1,905,000	\$ 4,530,000	\$ 315,000	\$ 4,085,000
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
5,700,000	-	-	40,300,000	42,560,000
-	-	-	12,105,000	64,015,000
-	-	-	-	35,081,712
\$ 17,680,000	\$ 1,905,000	\$ 14,280,000	\$ 74,900,000	\$ 168,996,712

**INTEREST**

---

March 1, 1998	March 1, 1999	February 6, 2001	May 26, 2005	December 19, 2006
\$ 827,431	\$ 81,915	\$ 714,000	\$ 3,871,012	\$ 7,380,950
721,838	-	487,500	3,855,262	7,217,550
602,500	-	249,750	3,721,513	7,023,950
479,875	-	-	3,564,763	6,800,350
351,000	-	-	3,170,263	6,557,588
288,500	-	-	8,007,737	28,096,450
-	-	-	635,513	15,766,500
-	-	-	-	18,085,288
\$ 3,271,144	\$ 81,915	\$ 1,451,250	\$ 26,826,063	\$ 96,928,626

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF PROPERTY TAX TRANSACTIONS**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Tax Year</u>	<u>Uncollected July 1, 2007</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>
<b><u>GENERAL FUND</u></b>				
Current	2007-08	\$ -	\$ 47,040,046	\$ (1,194,394)
Prior	2006-07	928,730	-	232
	2005-06	216,936	-	520
	2004-05	107,490	-	196
	2003-04	36,886	-	192
	2002-03	14,223	-	(1)
	2002-Prior	20,790	-	-
Total prior		<u>1,325,055</u>	<u>-</u>	<u>1,139</u>
Total General Fund		<u>\$ 1,325,055</u>	<u>\$ 47,040,046</u>	<u>\$ (1,193,255)</u>
<b><u>DEBT SERVICE FUND</u></b>				
Current	2007-08	\$ -	\$ 30,421,143	\$ (772,422)
Prior	2006-07	311,144	-	77
	2005-06	75,892	-	182
	2004-05	41,216	-	74
	2003-04	13,822	-	71
	2002-03	5,701	-	-
	2002-Prior	9,894	-	-
Total prior		<u>457,670</u>	<u>-</u>	<u>404</u>
Total Debt Service Fund		<u>457,670</u>	<u>30,421,143</u>	<u>(772,018)</u>
<b>TOTAL ALL FUNDS</b>		<u>\$ 1,782,725</u>	<u>\$ 77,461,189</u>	<u>\$ (1,965,273)</u>

<u>Interest</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2008</u>
\$ 14,791	\$ (53,233)	\$ (44,663,321)	\$ 1,143,889
36,357	(29,514)	(656,397)	279,408
17,306	(21,931)	(108,786)	104,045
16,153	(9,611)	(71,648)	42,580
7,914	(6,298)	(26,950)	11,744
1,565	(1,145)	(4,122)	10,520
3,955	(220)	(8,619)	15,906
<u>83,250</u>	<u>(68,719)</u>	<u>(876,522)</u>	<u>464,203</u>
<u>\$ 98,041</u>	<u>\$ (121,952)</u>	<u>\$ (45,539,843)</u>	<u>\$ 1,608,092</u>
<u>\$ 9,565</u>	<u>\$ (35,163)</u>	<u>\$ (28,884,094)</u>	<u>\$ 739,029</u>
12,562	(9,888)	(219,906)	93,989
6,055	(7,672)	(38,058)	36,399
6,193	(3,683)	(27,473)	16,327
2,966	(2,360)	(10,099)	4,400
628	(462)	(1,650)	4,217
2,020	(380)	(3,964)	7,570
<u>30,424</u>	<u>(24,445)</u>	<u>(301,150)</u>	<u>162,902</u>
<u>39,989</u>	<u>(59,608)</u>	<u>(29,185,244)</u>	<u>901,931</u>
<u>\$ 138,030</u>	<u>\$ (181,560)</u>	<u>\$ (74,725,087)</u>	<u>\$ 2,510,023</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 74,725,087
Accrued Prior Year	(300,507)
Accrued Current Year	400,965
Taxes in Lieu of Property Taxes	55,605
Penalties and Interest	89,484
Property Tax Revenue	<u>\$ 74,970,634</u>

Reported in:

General Fund	\$ 45,656,079
Debt Service Fund	29,314,555
	<u>\$ 74,970,634</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF REVENUES****FOR THE YEAR ENDED JUNE 30, 2008**

	Fund 100	Fund 200	Fund 300
<b>REVENUES:</b>			
<b>Revenue from local sources:</b>			
1110 Ad Valorem taxes paid by District	\$ 45,566,840	\$ -	\$ 29,258,755
1190 Penalties and Interest on taxes	89,239	-	55,800
1310 Tuition	78,153	-	-
1330 Summer school tuition	-	-	-
1400 Transportation fees	68,244	-	-
1500 Earning on investments	1,916,038	1,817	534,883
1600 Food service	-	2,338,045	-
1700 Extracurricular activities	401,506	3,301,388	-
1910 Rentals	178,773	-	-
1920 Contributions and donations	-	887,066	-
1960 Recovery of prior year	16,752	10	-
1970 Pension bonds	-	-	5,287,224
1980 Fees charged to grants	369,658	-	-
1990 Miscellaneous	867,702	(64,734)	-
<b>Total Revenue from local sources</b>	<b>49,552,905</b>	<b>6,463,592</b>	<b>35,136,662</b>
<b>Revenue from intermediate sources:</b>			
2101 County school funds	435,917	-	-
2103 ESD	970,822	313,751	-
2180 Strategic investment program-unrestricted	970,648	-	-
2199 Other intermediate sources	-	-	-
2200 Restricted revenue	-	95,570	-
<b>Total Revenue from Intermediate Sources</b>	<b>2,377,387</b>	<b>409,321</b>	<b>-</b>
<b>Revenue from state sources:</b>			
3101 State School Fund - general support	92,742,640	-	-
3102 State School Fund - school lunch match	-	81,535	-
3103 Common school fund	1,863,397	-	-
3104 State managed county timber	624,074	-	-
3105 State School Fund - transportation grant	4,214,814	-	-
3199 Other restricted grants-in-aid	-	-	-
3204 Driver education	-	-	-
3222 State School Fund transportation equipment	-	709,092	-
3299 Other restricted grants-in-aid	4,169,718	281,971	-
<b>Total Revenue from state sources</b>	<b>103,614,643</b>	<b>1,072,598</b>	<b>-</b>
<b>Revenue from federal sources:</b>			
4300 Restricted revenue from Federal Government	-	2,879,606	-
4500 Restricted revenue from Federal Government through the state	-	13,133,235	-
4700 Restricted revenue from Federal Government through intermediate sources	-	493,793	-
4899 Other revenue in lieu of taxes	-	-	-
4900 Revenue for/on behalf of the District	-	820,393	-
<b>Total Revenue from federal sources</b>	<b>-</b>	<b>17,327,027</b>	<b>-</b>
<b>Revenue from other sources:</b>			
5100 Bond proceeds	39,068	-	4,390,000
5110 Bond premium	-	-	148,583
5200 Interfund transfers	-	-	-
5300 Sale or compensation for loss of fixed assets	84,779	3,100	6,363
5400 Resources - beginning fund balance	19,888,330	4,187,466	6,573,042
<b>Total Revenue from other sources</b>	<b>20,012,177</b>	<b>4,190,566</b>	<b>11,117,988</b>
<b>TOTAL REVENUES</b>	<b>\$ 175,557,112</b>	<b>\$ 29,463,104</b>	<b>\$ 46,254,650</b>

Fund 400	Fund 600	Fund 700	Total
\$ -	\$ -	\$ -	\$ 74,825,595
-	-	-	145,039
-	-	-	78,153
-	-	-	-
-	-	-	68,244
6,887,366	-	-	9,340,104
-	-	-	2,338,045
-	-	-	3,702,894
-	-	-	178,773
-	-	-	887,066
6,158	-	-	22,920
-	-	-	5,287,224
-	-	-	369,658
-	-	650,000	1,452,968
6,893,524	-	650,000	98,696,683
-	-	-	435,917
-	-	-	1,284,573
-	-	-	970,648
500,000	-	-	500,000
-	-	-	95,570
500,000	-	-	3,286,708
-	-	-	92,742,640
-	-	-	81,535
-	-	-	1,863,397
-	-	-	624,074
-	-	-	4,214,814
-	-	-	-
-	-	-	-
-	-	-	709,092
-	-	-	4,451,689
-	-	-	104,687,241
-	-	-	2,879,606
-	-	-	-
-	-	-	13,133,235
-	-	-	-
-	-	-	493,793
-	-	-	-
-	-	-	820,393
-	-	-	17,327,027
-	-	-	4,429,068
-	-	-	148,583
-	-	-	-
-	-	-	94,242
177,928,489	1,500,000	457,808	210,535,135
177,928,489	1,500,000	457,808	215,207,028
<b>\$ 185,322,013</b>	<b>\$ 1,500,000</b>	<b>\$ 1,107,808</b>	<b>\$ 439,204,687</b>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF GENERAL FUND EXPENDITURES****FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
<b>EXPENDITURES:</b>			
Instruction:			
1111 Primary programs	\$ 13,475,521	\$ 5,465,161	\$ 208,323
1112 Intermediate programs	10,290,917	4,248,341	158,147
1113 Elementary extracurricular	161	59	-
1121 Middle school programs	6,159,908	2,574,684	50,817
1122 Middle school extracurricular	45,158	10,274	304
1131 High school programs	12,603,768	5,219,648	170,289
1132 High school extracurricular	1,631,030	412,974	176,887
1210 Talented and gifted	75,103	23,756	54,764
1220 Students with disabilities-restricted	3,894,125	2,137,402	219,031
1250 Students with disabilities - less restricted	6,457,275	3,288,930	14,159
1271 Remediation	-	(112)	2,768
1272 Title 1	5,249	588	-
1280 Alternative education	750,651	302,684	188,828
1288 Charter schools	-	-	711,410
1290 Designated programs	-	-	-
1291 English second language program	3,957,533	2,003,236	63,033
1292 Teen parent program	114,138	75,587	155
1293 Migrant education	-	-	-
1294 Youth corrections program	30,376	11,359	-
1400 Summer school programs	-	-	-
<b>Total Instruction</b>	<u>59,490,913</u>	<u>25,774,571</u>	<u>2,018,915</u>
Support services:			
2110 Attendance and social work services	585,322	356,314	482,457
2120 Guidance services	3,041,561	1,211,856	139,340
2130 Health services	433,958	220,055	22,043
2140 Psychological services	270,149	102,713	104,852
2150 Speech pathology services	903,737	339,503	6,083
2160 Other student treatment services	-	-	169,627
2190 Service direction, student special education	12,274	2,693	26,739
2210 Improvement of Instructional services	86,986	27,006	9,815
2220 Educational media services	1,030,023	540,791	27,904
2230 Assessment and testing	16,169	2,561	52,694
2240 Instructional staff development	370,892	86,423	175,824
2310 Board of Education services	21,547	11,509	77,074
2320 Executive administration services	738,477	301,096	50,130
2410 Office of the principal services	6,972,635	3,035,366	212,953
2490 Other support services school administration	1,467,552	552,267	134,596
2510 Direction of business support services	508,635	178,004	118,827
2520 Fiscal services	506,540	269,061	42,019
2540 Operation and maintenance of plant	2,617,022	1,077,289	11,690,646
2550 Student transportation services	4,535,965	2,754,044	253,800
2570 Internal services	279,680	129,150	(103,751)
2620 Planning, research, and development	-	-	654
2630 Information/production services	268,965	106,328	74,964
2640 Staff services	513,767	694,099	98,831
2660 Technology services	1,612,019	680,441	1,112,495
2670 Records management services	-	-	13,204
2700 Supplemental retirement services	-	650,000	-
<b>Total Support services</b>	<u>26,793,872</u>	<u>13,328,569</u>	<u>14,993,820</u>
<b>Enterprise Services</b>			
3390 Other Community Services	108,479	39,994	4,575
<b>Debt service</b>			
5110 Principal	-	-	-
<b>Total Debt Service</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 86,393,264</u>	<u>\$ 39,143,134</u>	<u>\$ 17,017,310</u>

	Object 400	Object 500	Object 600	Total
\$	377,361	\$ -	\$ 26	\$ 19,526,392
	311,554	-	26	15,008,985
	-	-	-	220
	463,646	7,138	60	9,256,253
	277	-	-	56,013
	665,276	-	15,516	18,674,497
	148,057	-	32,627	2,401,575
	16,886	-	-	170,509
	71,571	-	26,904	6,349,033
	67,217	-	120	9,827,701
	309	-	-	2,965
	-	-	-	5,837
	108,882	-	3,164	1,354,209
	-	-	-	711,410
	-	-	62	62
	189,113	-	-	6,212,915
	693	-	24	190,597
	-	-	-	-
	1,934	-	-	43,669
	-	-	-	-
	<u>2,422,776</u>	<u>7,138</u>	<u>78,529</u>	<u>89,792,841</u>
	148,290	-	700	1,573,083
	19,803	-	5,926	4,418,486
	13,166	-	-	689,222
	4,568	-	-	482,282
	23,003	-	880	1,273,206
	-	-	-	169,627
	51,444	-	30	93,180
	38,521	-	296	162,624
	163,837	-	230	1,762,785
	30,049	-	-	101,473
	31,710	-	571	665,420
	8,790	-	27,856	146,776
	19,922	-	1,988	1,111,613
	267,115	-	7,318	10,495,387
	166,895	8,923	2,657	2,332,890
	23,912	4,088	8,915	842,381
	13,109	-	2,686	833,415
	1,096,606	152,484	670,061	17,304,108
	1,127,954	343,811	103,735	9,119,309
	209,332	-	-	514,411
	-	-	-	654
	12,828	-	625	463,710
	21,017	-	10,880	1,338,594
	1,093,378	331,461	7,554	4,837,348
	19,391	-	20	32,615
	-	-	-	650,000
	<u>4,604,640</u>	<u>840,767</u>	<u>852,928</u>	<u>61,414,596</u>
	<u>3,704</u>	<u>-</u>	<u>-</u>	<u>156,752</u>
	<u>-</u>	<u>-</u>	<u>552,863</u>	<u>552,863</u>
	<u>-</u>	<u>-</u>	<u>552,863</u>	<u>552,863</u>
\$	<u>7,031,120</u>	<u>\$ 847,905</u>	<u>\$ 1,484,320</u>	<u>\$ 151,917,052</u>

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

**SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES**

**FOR THE YEAR ENDED JUNE 30, 2008**

	100	200	300
<b>EXPENDITURES:</b>			
<b>Instruction:</b>			
1111 Primary programs	\$ 461,436	\$ 197,004	\$ 14,540
1112 Intermediate programs	2,698	560	6,751
1113 Elementary extracurricular	56,957	12,415	13,635
1121 Middle school programs	-	-	42
1122 Middle school extracurricular	-	-	-
1131 High school programs	88,949	36,343	19,687
1132 High school extracurricular	700	153	9,618
1140 Pre-kindergarten programs	-	-	84,216
1210 Talented and gifted program	5,928	602	618
1220 Students with disabilities - restrictive programs	704,320	288,273	30,781
1250 Students with disabilities - less restrictive programs	264,412	196,310	511
1260 Early intervention	78,746	31,675	195,163
1271 Remediation	-	(205)	-
1272 Title I	974,226	526,777	2,629
1279 Title I -private school	-	-	10,379
1280 Alternative education	203,314	97,433	21,588
1291 English second language programs	43	4	-
1292 Teen parent program	31,297	22,576	13
1293 Migrant education	219,953	60,040	6,612
1299 Other programs	-	-	-
1400 Summer school programs	53,181	12,105	529
<b>Total instruction</b>	<b>3,146,160</b>	<b>1,482,065</b>	<b>417,312</b>
<b>Support services:</b>			
2110 Attendance and social work services	302,096	141,839	866,176
2120 Guidance services	47,538	17,989	-
2130 Health services	-	-	2,922
2140 Psychological services	498,837	212,213	181,067
2150 Speech pathology and audiology services	343,153	186,652	-
2160 Student treatment center	156,782	70,747	-
2190 Service direction, student special education	278,214	112,403	28,105
2210 Improvement of instruction services	186,535	59,514	90,188
2220 Media services	678	154	-
2240 Instructional staff development	853,924	239,082	464,950
2320 Executive administration services	113,941	47,752	19,116
2410 Office of the principal services	571	127	5,976
2490 Other support services school administration	-	-	-
2510 Direction of business support services	-	-	-
2520 Fiscal Services	20,503	9,625	-
2540 Operation and maintenance of plant	6,516	6,202	49,608
2550 Student transportation services	24,507	5,508	26,177
2610 Direction of central support services	630,196	238,429	8,848
2620 Planning, research and development services	-	-	216,609
2630 Information/production services	4,409	591	125
2640 Recruitment and Placement	-	-	11,000
2660 Technology services	-	-	7,806
<b>Total support services</b>	<b>3,468,400</b>	<b>1,348,827</b>	<b>1,978,673</b>
<b>Enterprise and community services:</b>			
3100 Food services	2,292,998	1,030,818	271,420
3300 Community services	74,851	21,045	584,883
<b>Total support services</b>	<b>2,367,849</b>	<b>1,051,863</b>	<b>856,303</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 8,982,409</b>	<b>\$ 3,882,755</b>	<b>\$ 3,252,288</b>

400	500	600	Total
\$ 363,112	\$ -	\$ -	\$ 1,036,092
46,626	-	100	56,735
469,546	-	212	552,765
13,376	-	-	13,418
280,438	-	-	280,438
163,474	9,450	4,811	322,714
2,602,619	565	2,785	2,616,440
-	-	286	84,502
111	-	-	7,259
2,781	-	15,000	1,041,155
50,304	-	-	511,537
1,369	-	-	306,953
-	-	-	(205)
31,163	119,102	-	1,653,897
7,306	-	-	17,685
70,631	-	15,926	408,892
1,639	-	-	1,686
860	-	2,393	57,139
112,553	-	28,649	427,807
-	-	-	-
2,590	-	-	68,405
<u>4,220,498</u>	<u>129,117</u>	<u>70,162</u>	<u>9,465,314</u>
65,397	-	6,343	1,381,851
6,383	-	7,382	79,292
-	-	-	2,922
2,567	-	-	894,684
-	-	-	529,805
-	-	-	227,529
125,771	-	-	544,493
68,953	-	13,366	418,556
21,535	-	-	22,367
73,017	-	69,032	1,700,005
6,066	-	93,864	280,739
29,328	-	-	36,002
182	-	-	182
4,201	-	-	4,201
20	-	-	30,148
34,542	271,492	2,500	370,860
-	344,600	-	400,792
2,529	-	464	880,466
-	-	-	216,609
-	-	-	5,125
-	-	-	11,000
26,067	171,325	-	205,198
<u>466,558</u>	<u>787,417</u>	<u>192,951</u>	<u>8,242,826</u>
3,750,370	37,982	7,371	7,390,959
29,030	-	-	709,809
<u>3,779,400</u>	<u>37,982</u>	<u>7,371</u>	<u>8,100,768</u>
<u>\$ 8,466,456</u>	<u>\$ 954,516</u>	<u>\$ 270,484</u>	<u>\$ 25,808,908</u>

(This page intentionally left blank)

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF DEBT SERVICE FUND EXPENDITURES**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Object 300</u>	<u>Object 600</u>	<u>Object Total</u>
<b>EXPENDITURES:</b>			
Other uses:			
5100 Debt service	<u>\$ 30,931</u>	<u>\$ 35,396,174</u>	<u>\$ 35,427,105</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>	<u>Object 400</u>
<b>EXPENDITURES:</b>				
Facilities acquisition and construction expenditures:				
1121 Intermediate programs	\$ -	\$ -	\$ -	\$ -
1131 Secondary programs	-	-	-	-
2660 Technology	-	-	-	-
4110 Service area direction	273,119	99,831	4,251	6,384
4120 Site acquisition and Develop systems	-	-	135,000	-
4150 Building acquisition, construction, and improvement services	11,946	1,547	9,274,071	2,284,660
4190 Other facilities construction services	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 285,065</u>	<u>\$ 101,378</u>	<u>\$ 9,413,322</u>	<u>\$ 2,291,044</u>

<u>Object 500</u>	<u>Object 600</u>	<u>Object Total</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	383,585
5,405,062	-	5,540,062
-	-	-
64,163,146	2,078,542	77,813,912
-	-	-
<u>\$69,568,208</u>	<u>\$2,078,542</u>	<u>\$ 83,737,559</u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**SCHEDULE OF FIDUCIARY FUND EXPENDITURES**

**YEAR ENDED JUNE 30, 2008**

	<b>Object 600</b>
<b>EXPENDITURES:</b>	
Support services:	
2700 Supplemental retirement program	<u>\$ 330,488</u>

SUPPLEMENTAL INFORMATION, 2007-2008

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	\$ 3,909,288
Function 2550	\$ 21,852

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	\$ 119,166
1140	Pre-kindergarten	2550	Pupil transportation	
1300	Continuing education	3100	Food service	
1400	Summer school	3300	Community services	

(This page intentionally left blank)



# **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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	47
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	51
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	55
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	58
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	60

Sources:

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

(This page intentionally left blank)

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**NET ASSETS BY COMPONENT**

**Last Seven Fiscal Years**

(accrual basis of accounting)

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

	2007-08*	2006-07*	2005-06*	2004-05*	2003-04*	2002-03*	2001-02*
Governmental activities:							
<b>Expenditures</b>							
Instruction	\$ 110,225,767	\$ 93,429,518	\$ 90,626,555	\$ 86,376,150	\$ 77,641,128	\$ 75,511,577	\$ 80,370,299
Support services	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	9,169,942	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	22,257,859	11,593,839	11,798,269	3,720,541	7,701,343	8,067,120	9,450,508
Total Expenditures	<u>284,877,858</u>	<u>176,808,792</u>	<u>169,567,694</u>	<u>152,245,632</u>	<u>138,818,384</u>	<u>136,601,380</u>	<u>148,817,313</u>
<b>Program Revenues</b>							
Charges for services:							
Instruction	6,390,034	1,070,606	2,126,428	4,143,996	3,093,549	2,835,269	3,428,885
Support services	178,773	232,335	1,858,211	430,408	678,092	767,939	563,477
Enterprise and community services	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	8,577,163	8,795,634	4,241,207	7,378,878	8,061,968	4,236,906	7,133,013
Support services	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	5,549,384	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	95,570	-	-	-	-	-	-
Total Program Revenues	<u>26,755,741</u>	<u>20,353,203</u>	<u>18,832,546</u>	<u>24,165,197</u>	<u>26,964,597</u>	<u>20,052,708</u>	<u>23,248,544</u>
<b>Net (Expenditures)</b>	(258,122,117)	(156,455,589)	(150,735,148)	(128,080,435)	(111,853,787)	(116,548,672)	(125,568,769)
<b>General Revenues</b>							
Taxes:							
Property Taxes, Levied for General Purposes	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	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	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	9,340,104	8,194,851	2,653,853	1,446,575	760,116	1,542,526	4,358,468
Miscellaneous	7,597,249	24,676,621	9,763,319	7,965,169	3,569,787	3,266,472	642,951
Total General Revenues	<u>197,225,505</u>	<u>178,109,883</u>	<u>153,465,261</u>	<u>129,469,225</u>	<u>130,376,975</u>	<u>119,702,041</u>	<u>126,424,538</u>
<b>Change in Net Assets</b>	<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 1J**

Washington County Oregon

**FUND BALANCES OF GOVERNMENTAL FUNDS**

**Last Ten Fiscal Years**

(modified accrual basis of accounting)

	Fiscal years 2004-2008				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Fund Balances					
Reserved, reported in:					
General fund	\$ 201,031	\$ 238,850	\$ 245,271	\$ 219,748	\$ 666,715
Special revenue funds	835,817	882,780	182,812	170,099	218,447
Debt service fund	6,477,663	9,073,416	7,874,004	6,573,042	10,827,545
Capital projects funds	17,772,597	13,204,310	8,357,714	177,928,489	101,584,454
Unreserved, reported in:					
General fund	17,499,555	14,730,521	20,187,310	19,668,582	22,973,345
Special revenue funds	2,087,512	2,454,476	2,098,654	3,672,104	3,435,749
Debt service fund	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total Fund Balances	<u>\$ 44,874,175</u>	<u>\$ 40,584,353</u>	<u>\$ 38,945,765</u>	<u>\$ 208,232,064</u>	<u>\$ 139,706,255</u>

	Fiscal years 1999-2003				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Fund Balances					
Reserved, reported in:					
General fund	\$ 199,645	\$ 176,756	\$ 296,001	\$ 380,954	\$ 212,532
Special revenue funds	105,903	11,773	135,095	849,730	819,653
Debt Service fund	3,282,691	4,122,727	4,660,758	-	7,040,368
Capital Projects funds	-	-	-	-	26,585,671
Unreserved, Reported in:					
General fund	11,811,136	11,306,561	13,097,240	5,922,064	2,524,759
Special revenue funds	3,861,159	4,906,949	3,738,264	1,832,311	1,859,373
Debt Service fund	-	-	-	6,654,606	-
Capital Projects funds	36,962,621	12,958,220	99,882,168	57,237,750	-
Total Fund Balances	<u>\$ 56,223,155</u>	<u>\$ 33,482,986</u>	<u>\$ 121,809,526</u>	<u>\$ 72,877,415</u>	<u>\$ 39,042,356</u>

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

(modified accrual basis of accounting)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues				
Property taxes	31,644,468	36,440,590	40,010,958	53,385,120
Charges for services	-	-	-	5,834,985
Earnings on investments	-	-	-	4,358,468
Other	7,069,279	6,693,583	7,956,213	915,668
Intermediate sources	1,623,729	1,806,905	2,201,857	1,838,914
State school support	66,071,683	71,427,206	77,878,609	75,191,397
Federal	5,245,239	5,971,394	6,644,942	7,703,247
Other sources	1,101,289	431,564		166,977
Total Revenues	<u>112,755,687</u>	<u>122,771,242</u>	<u>134,692,579</u>	<u>149,394,776</u>
Expenditures				
Current operating				
Instruction	60,443,688	63,888,888	69,530,948	78,269,095
Support services	41,134,135	43,596,552	49,313,496	52,846,551
Enterprise and community services	9,472	3,787,168	4,002,641	4,273,007
Facilities acquisition and construction	-	-	-	5,440,942
Capital outlay	4,991,851	33,485,200	13,810,929	42,189,507
Debt service				
Principal	2,649,284	3,024,755	4,150,285	6,030,606
Other	-	-	-	-
Payment to PERS	-	-	-	-
Interest	2,239,877	4,331,582	4,087,682	9,819,855
Total Expenditures	<u>111,468,307</u>	<u>152,114,145</u>	<u>144,895,981</u>	<u>198,869,563</u>
Excess (deficiency) of revenues over (under) expenditures	1,287,380	(29,342,903)	(10,203,402)	(49,474,787)
Other financing sources (Uses)				
Bond proceeds	37,567,188	6,602,734	98,447,494	-
Sale or compensation for loss of fixed asset	-	-	-	-
Operating transfers in	-	250,000	-	-
Operating transfers out	(585,000)	(250,000)	-	-
Total other financing sources (uses)	<u>36,982,188</u>	<u>6,602,734</u>	<u>98,447,494</u>	<u>-</u>
Net change in fund balances	<u>38,269,568</u>	<u>(22,740,169)</u>	<u>88,244,092</u>	<u>(49,474,787)</u>
Debt services as a percentage of noncapital expenditures	4.6%	6.2%	6.3%	10.1%

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$	54,504,023	\$ 53,824,620	\$ 56,412,322	\$ 57,183,332	58,274,830	74,970,634
	6,591,189	5,824,448	6,307,762	4,778,380	3,765,885	7,009,678
	1,542,526	760,116	1,446,575	2,653,850	8,194,851	9,340,104
	2,344,141	1,030,150	3,061,354	1,605,890	1,375,754	6,726,267
	2,573,735	3,516,570	3,749,953	4,296,352	3,812,017	3,286,708
	63,608,223	81,462,389	71,857,440	83,968,676	86,835,628	104,687,241
	8,347,115	10,855,286	10,869,443	13,690,511	15,821,511	17,327,027
	166,224	54,668	103,126,403	4,560,607	186,703,215	-
	<u>139,677,176</u>	<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>
	73,244,826	74,367,389	81,088,557	87,151,646	90,028,309	99,258,155
	46,761,142	46,467,506	52,451,074	55,044,467	61,260,267	69,657,422
	4,249,262	5,075,963	5,900,323	6,294,588	7,110,119	8,257,520
	3,074,184	4,430,025	567,389	1,680,430	-	-
	30,258,195	5,265,037	4,349,203	3,025,190	15,556,452	83,737,559
	7,686,108	8,066,526	10,196,483	9,168,251	10,020,821	9,370,000
	-	-	-	-	38,196	30,931
	-	-	100,780,385	-	-	-
	<u>8,238,518</u>	<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>173,512,235</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>
	(33,835,059)	5,781,881	(4,239,887)	(1,638,588)	169,286,299	(69,004,382)
	-	-	-	-	-	39,068
	-	-	-	-	-	94,242
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	133,310
\$	<u>(33,835,059)</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>
	11.1%	10.9%	45.5%	12.4%	12.0%	15.1%

**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
1999	7,398,180,637	77,354,762	373,075,441	194,265,362
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

Note:

Represents Washington County only

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

Assessed Value (not including exempt property)					
<u>Total Market Value</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Amount tax rate will raise</u>	<u>Less: Reduction and Adjustments</u>	<u>Total Taxes Imposed (Net Levy)</u>
8,042,876,202	5,591,257,557	6.99	39,082,890	(6,467,320)	32,615,570
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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

Last 10 Fiscal Years

Rate per \$1,000 of assessed value

<b>DIRECT:</b>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Hillsboro School District	6.1994	6.5240	6.5831	6.7059
Hillsboro School District - after 10/6/01	1.8587	0.0000	0.0000	0.0000
Prior School District Bonds				
Hillsboro	0.0829	0.0793	0.0793	0.1292
Reedville	0.2493	0.2268	0.2556	0.3327
Farmington View	-	-	0.3408	0.3636
North Plains	-	0.2706	0.0253	0.3187
 <b>OVERLAPPING GOVERNMENTS:</b>				
Washington County	2.4431	2.4494	2.8390	2.8734
Washington County - after 10/6/01	0.5900			
Enhanced Sheriff Patrol	1.0920	1.1120	1.1300	1.1424
Road Maintenance	0.2456	0.2456	0.2456	0.2456
Port of Portland	0.0701	0.0701	0.0701	0.0701
City of Hillsboro	4.7665	4.7665	4.7665	4.7665
City of North Plains	2.1712	2.1712	2.6385	3.1563
City of Cornelius	4.0723	4.1698	3.9836	4.3098
Cornelius RFD	1.4702	1.4820	1.5307	1.5631
RFFD#2	1.1219	1.1219	1.1219	1.1219
Tualatin Valley Fire and Rescue	1.5560	1.8194	1.7752	1.8259
Gaston RFPD	1.5121	1.5121	1.5121	1.0921
Banks RFPD	2.0321	2.0220	1.7031	1.4110
Forest Grove RFPD	1.4409	1.4390	1.2766	1.4361
Metro Service District	0.2683	0.2782	0.0000	0.2838
Metro Service District - after 10/6/01	0.1609			
Tri-Met	0.0856	0.0973	0.1191	0.1104
Tualatin Hills Park and Recreation	1.4341	1.4425	1.4505	1.4551
Wolf Creek Water	-	-	0.0000	0.0000
Urban Renewal - H	-	-	0.0000	0.0000
Metro Zoo	-	0.0966	0.0966	0.2838
Northwest Regional ESD	0.1538	0.1538	0.1538	0.1538
Portland Community College	0.5051	0.4889	0.2828	0.5099
Rainbow Lane Road	0.4888	0.4888	0.4888	0.4888

Source: The Washington County Department of Assessment and Taxation.

<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
6.6651	6.7942	5.9434	6.1437	5.5914	5.5914
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.1278	0.1257	0.1407	0.1710	0.2548	0.2548
0.2985	0.2828	0.2999	0.3461	0.3448	0.3448
0.3627	0.3812	0.3907	0.4593	0.4288	0.4288
0.2944	0.2890	0.3292	0.3723	0.3801	0.3801
2.9149	2.9149	2.5277	2.5425	2.5637	2.5637
1.0291	1.0291	1.0797	1.0506	1.0392	1.0392
0.2456	0.2456	0.2456	0.2456	0.2456	0.2456
0.0701	0.0701	0.0737	0.0753	0.0780	0.0780
4.7665	4.7665	4.7665	4.8230	3.7304	3.7304
3.2361	3.2361	2.6902	2.7071	2.8590	2.8590
4.5828	4.5828	4.6836	4.7373	4.3820	4.3820
1.9667	1.9667	1.9550	2.1146	1.1943	1.1943
1.1219	1.1219	1.2976	1.2941	1.1479	1.1479
1.8206	1.8206	1.5869	1.5563	1.5250	1.5250
1.3060	1.3060	1.0921	1.0736	1.0733	1.0733
1.6621	1.6621	1.5504	1.5428	1.0767	1.0767
1.4568	1.4568	1.4591	1.4626	1.4594	1.4594
0.2835	0.2835	0.3401	0.3282	0.3642	0.3642
0.1239	0.1239	0.1345	0.1428	0.1526	0.1526
1.4617	1.4617	1.4898	1.5575	1.5252	1.5252
0.1486	0.1486	0.1647	0.1537	0.2413	0.2413
0.0000	0.0000	0.0000	0.0000	0.8245	0.8245
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.1538	0.1538	0.1538	0.1538	0.1538	0.1538
0.4944	0.4944	0.3717	0.3600	0.3515	0.3515
0.4888	0.4888	0.4888	0.4880	0.4888	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	2008			1999		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
<b>Ten Largest Taxpayers</b>						
Intel Corporation	1,073,118,274	1	11.19%	791,844,960	1	15.73%
Verizon Northwest, Inc.	345,285,461	2	3.60%			
Nike, Inc	348,297,116	3	3.63%			
Portland General Electric	330,799,810	4	3.45%	64,059,092	2	1.27%
Northwest Natural Gas Co.	261,692,224	5	2.73%	33,807,462	6	0.67%
Pacific Realty Associates	275,283,690	6	2.87%			
Maxim Integrated Products	169,355,293	7	1.77%			
Tektronix Inc	113,617,362	8	1.18%			
ERP Operating Systems	137,506,673	9	1.43%			
Novellus Systems	112,051,390	10	1.17%			
Sumitoto Bank and Leasing				52,455,200	3	1.04%
Integrated Device Technology				50,544,800	4	1.00%
GTE Northwest				48,165,147	5	0.96%
Tokyo Electron Oregon				32,478,980	7	0.65%
NEC America				26,603,980	8	0.53%
Tansabourne Ltd Partners				26,603,980	9	0.53%
Bay 607 Corp				23,848,750	10	0.47%
<b>Subtotal of Ten Largest Taxpayers</b>	<b>3,167,007,293</b>		<b>33.02%</b>	<b>1,150,412,351</b>		<b>22.85%</b>
<b>All Other Taxpayers</b>	<b>6,422,969,644</b>		<b>66.98%</b>	<b>3,882,588,483</b>		<b>77.15%</b>
<b>Total All Taxpayers</b>	<b>\$ 9,589,976,937</b>		<b>100.00%</b>	<b>5,033,000,834</b>		<b>100.00%</b>

Note: Represents Washington County only. Multnomah and Yamhill County portions of the District comprise less than .02% of the District's assessed value.

Records are only available for the past eight years.

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
1999	32,615,570	31,669,718	97.10%	670,320	32,340,038	99.16%
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%

**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</u>
1999	\$ 79,210,000	-	-	\$ 79,210,000	4,854	921
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

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

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**As of June 30, 2008**

<u>Overlapping Issuer</u>	<u>Net Property-tax Backed Debt<sup>1</sup></u>	<u>Percent Overlapping</u>	<u>Overlapping Debt</u>
City of North Plains	\$ -		-
City of Cornelius	240,318	32.69%	78,560
Washington County	9,251,352	21.74%	2,011,244
Portland Community College	6,122,454	9.65%	590,817
Tri-Met Transportation	4,673,969	6.78%	316,895
Metro	14,733,094	6.50%	957,651
Tualatin Valley Fire and Rescue	104,504	3.67%	3,835
Banks RFPD	38,297	2.75%	1,053
Tualatin Hills Park and Recreation Department	345,184	2.08%	7,180
Forest Grove RFPD	2,204	0.89%	20
Chemeketa Community College	422	0.00%	-
Chehalem Park and Rec District	157	0.01%	-
Multnomah County	367	0.00%	-
Subtotal, overlapping debt			<u>\$ 3,967,255</u>
Direct District net property-tax backed debt			<u>278,762,595</u>
Total direct and overlapping debt			<u><u>\$ 282,729,850</u></u>

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County Oregon

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Debt Limit	639,408,658	681,343,542	739,461,954	907,998,515	972,600,495
Total net debt applicable to limit	<u>79,210,000</u>	<u>76,190,000</u>	<u>170,675,000</u>	<u>164,865,000</u>	<u>157,405,000</u>
Legal debt margin	<u><u>560,198,658</u></u>	<u><u>605,153,542</u></u>	<u><u>568,786,954</u></u>	<u><u>743,133,515</u></u>	<u><u>815,195,495</u></u>
Total net debt applicable to the limit as a percentage of debt limit	12.39%	11.18%	23.08%	18.16%	16.18%

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.

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

Source: District Financial Statements

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 1,234,684,230	\$ 1,243,730,043	\$ 1,247,560,967	\$ 1,399,071,619	\$ 1,578,265,232
<u>149,580,000</u>	<u>248,025,005</u>	<u>231,880,000</u>	<u>391,061,712</u>	<u>380,501,712</u>
<u>\$ 1,085,104,230</u>	<u>\$ 995,705,038</u>	<u>\$ 1,015,680,967</u>	<u>\$ 1,008,009,907</u>	<u>\$ 1,197,763,520</u>
12.11%	19.94%	18.59%	27.95%	24.11%

# HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

## DEMOGRAPHIC AND ECONOMIC STATISTICS

### Last Ten Calendar Years

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars) (Estimated) (3)</u>	<u>Personal Income (1)</u>	<u>Unemployment Rate (2)</u>
1999	86,000	2,458,654	28,589	3.8%
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%

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  
2008**

	2008		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
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	<u>87,789</u>		<u>8.65%</u>
All Other Employers	<u>927,411</u>		<u>91.35%</u>
Total Portland PMSA2 Employment	<u>1,015,200</u>		<u>100.00%</u>

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>
1998-99	932	878	71	1881
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

(1) Full-time equivalent (FTE) position

Source: Hillsboro School District 1J payroll records

Note:

Information for fiscal years prior to 1999 are not available in detail. Over time, ten fiscal years of data will be presented.

Source: Hillsboro School District 1J payroll records

**HILLSBORO SCHOOL DISTRICT 1J**

Washington 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>
1999	16,318	28%	6,054	17
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

# HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

## STUDENT ENROLLMENT AND CAPITAL ASSET STATISTICS Last Ten Fiscal Years

School/Year Opened	Square Footage	Enrollment			
		<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Brookwood Elementary (1953)	43,041	535	566	558 #	566
Imlay Elementary (2002)	69,435	541	659	655	654
Butternut Creek Elementary (1977)	34,840	449	439	442	456
Patterson Elementary (2000)	69,435	733	654 #	677 #	642
Orengo Elementary (2000)	69,435	605	594 #	552 #	567
Indian Hills Elementary (1979)	40,219	385	407 #	369 #	382
Reedville Elementary (1922)	16,247	346	366 #	360 #	388
David Hill Elementary (1943)	27,828	262	337	321	311
Eastwood Elementary (1978)	49,163	481	505 #	534 #	557
Farmington View Elementary (1950)	22,867	209	226 #	248 #	269
Jackson Elementary (1990)	50,767	620	656	632	612
L.C. Tobias Elementary (1992)	50,000	550	563	577 -	567
Groner Elementary (1949)	32,402	192	206	191	212
Lenox Elementary (1949)	51,074	425	440	439	395
McKinney Elementary (1970)	49,163	536	533	509	503
Minter Bridge Elementary (1980)	49,163	442	362	406	401
North Plains Elementary (54)	49,496	516	543	504	513
Moobery Elementary (1963)	49,496	332	310	333	351
Peter Boscow Elementary (1912)	67,752	355 #	388	388	392
Ladd Acres Elementary (1968)	60,825	647	603	612	592
W.L. Henry Elementary (1968)	52,813	594	616	592	546
West Union Elementary (1948)	42,757	402 #	349	358	300
Former Witch Hazel	Demolished	- #	-	-	-
Witch Hazel Elementary (2003)	69,435	609	489	431	401
Brown Middle School (1963)	95,414	899	875	892	903
Evergreen Middle School (1981)	120,000	873	778	774	794
Thomas Middle School (1928)	215,000	524 #	544	550	503
Poynter Middle School (1959)	83,200	782 #	713	760	764
Miller Ed Junior High	0	19	16	15	16
Century High School (1997)	265,000	1,454 #	1,493	1,460	1,587
Glencoe High School (1980)	240,000	1,427	1,444	1,464	1,516
Liberty High School (2003)	288,897	1,264	1,269	1,171	847
Hilhi High School (1969)	253,652	1,477	1,478	1,444	1,438
Miller Ed High School (1958)	20,552	60	69	79	81

Enrollment

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
525	509	540	502	645	598
610	608	-	-	-	-
488	492	442	459	498	455
649	601	575	540	-	-
550	538	695	665	-	-
407	481	484	615	548	551
373	376	351	343	336	221
309	299	281	262	285	313
607	606	587	624	647	603
297	292	316	343	361	342
622	583	575	686	656	607
640	658	621	639	615	647
224	223	248	243	232	225
416	520	491	497	514	455
513	506	482	618	589	589
495	528	514	499	465	455
472	505	496	617	649	623
354	354	345	347	362	374
387	447	436	517	493	529
587	716	701	726	682	628
649	632	659	629	625	642
326	375	392	428	426	353
-	-	182	160	180	204
-	-	-	-	-	-
851	791	765	741	699	650
809	770	775	797	768	741
499	497	506	494	527	538
703	640	640	635	620	613
15	15	14	16	17	16
2,107	2,037	1,940	1,910	1,780	1,387
1,773	1,774	1,659	1,575	1,570	1,601
-	-	-	-	-	-
1,403	1,375	1,382	1,343	1,364	1,468
75	73	62	65	67	62

**HILLSBORO SCHOOL DISTRICT 1J**

Washington 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	15.50	33,904	MA	7	23.25	45,077
BA	3	7.00	35,260	MA	8	35.31	46,880
BA	4	8.33	36,671	MA	9	35.03	48,755
BA	5	13.00	38,138	MA	10	29.43	50,705
BA	6	7.50	39,663	MA	11	21.40	52,733
BA	7	6.60	41,250	MA	12	18.83	54,843
BA	8	5.20	42,900	MA	13	6.50	57,036
BA	9	6.90	44,616	MA	14	11.00	59,318
BA	10	10.39	46,400	MA	15	15.65	61,691
BA	11	4.60	48,256	MA	16	15.00	64,158
BA	12	3.00	50,187	MA	17	85.03	66,724
BA	13	23.00	52,411	MA+24	2	1.00	38,160
BA+24	2	5.00	34,922	MA+24	3	2.08	39,686
BA+24	3	1.00	36,319	MA+24	4	1.60	41,274
BA+24	4	4.00	37,771	MA+24	5	6.75	42,925
BA+24	5	6.00	39,282	MA+24	6	4.60	44,642
BA+24	6	1.00	40,854	MA+24	7	3.50	46,427
BA+24	7	1.50	42,488	MA+24	8	6.00	48,285
BA+24	8	3.10	44,187	MA+24	9	8.08	50,216
BA+24	9	5.80	45,955	MA+24	10	6.58	52,225
BA+24	10	5.50	47,793	MA+24	11	6.50	54,314
BA+24	11	1.00	49,705	MA+24	12	4.55	56,486
BA+24	12	1.30	51,693	MA+24	13	1.00	58,746
BA+24	13	18.10	53,985	MA+24	14	4.20	61,095
BA+45	2	1.00	35,969	MA+24	15	4.00	63,539
BA+45	3	-	37,407	MA+24	16	-	66,081
BA+45	4	1.00	38,904	MA+24	17	60.50	68,724
BA+45	5	1.00	40,460	MA+45	2	5.68	39,305
BA+45	6	1.00	42,078	MA+45	3	1.00	40,877
BA+45	7	2.00	43,761	MA+45	4	1.00	42,512
BA+45	8	1.00	45,512	MA+45	5	1.00	44,212
BA+45	9	3.40	47,332	MA+45	6	3.25	45,981
BA+45	10	2.50	49,225	MA+45	7	6.50	47,820
BA+45	11	5.00	51,195	MA+45	8	3.77	49,733
BA+45	12	1.00	53,242	MA+45	9	3.80	51,722
BA+45	13	3.00	55,372	MA+45	10	6.50	53,791
BA+45	14	2.00	57,587	MA+45	11	12.00	55,973
BA+45	15	3.00	59,890	MA+45	12	6.00	58,181
BA+45	16	16.52	62,286	MA+45	13	7.00	60,508
MA	2	54.07	37,050	MA+45	14	7.25	62,928
MA	3	48.53	38,532	MA+45	15	5.10	65,445
MA	4	54.17	40,073	MA+45	16	5.00	68,063
MA	5	53.83	41,676	MA+45	17	87.67	70,785
MA	6	21.38	43,343				





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

CERTIFIED PUBLIC ACCOUNTANTS

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

January 19, 2009

---

2007-2008 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 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, 2008, and have issued our report thereon dated January 19, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 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 in the United States of America. 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, 2008, 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 1J  
Washington County, Oregon

2007-2008 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 District's internal control.

We noted no matters involving the internal control structure and its operation that we consider to be a significant deficiency 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a significant deficiency and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of management and the State of Oregon, Secretary of State, Division of Audits and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

ACCOUNTING RECORDS

The accounting records are adequate for audit.

2007-08 and 2008-09 BUDGET TRANSACTIONS

The budgets adopted for the current and ensuing fiscal year were examined during the audit. Based on our testing it was determined that budget preparation and adoption procedures followed were in compliance with the Oregon Local Budget Law.

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2008 except as noted on page 19.

HILLSBORO SCHOOL DISTRICT 1J  
Washington County, Oregon

2007-2008 AUDITORS' COMMENTS AND DISCLOSURES

---

COLLATERAL SECURING BANK DEPOSITS

Deposits appeared to be adequately covered by federal depository insurance or certificates of participation at all times during 2007-2008, based upon our testing. Deposits in the State Local Government Investment Pool are not required to be collateralized.

INVESTMENTS

Investments for the year ending June 30, 2008, were reviewed and based on our testing appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

Procedures for awarding public contracts were reviewed and based upon our testing we found no instances of non-compliance with ORS Chapter 279 during 2007-2008.

INSURANCE AND FIDELITY BONDS

Details concerning insurance and fidelity bond coverage were reviewed during the audit. The coverage provided appears to meet legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

STATUTORY BONDED DEBT LIMITATION

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 federal assistance are contained in this report in the grant compliance review section.

STATE SCHOOL FUND DISTRIBUTION INFORMATION

We have performed the procedures recommended by the Oregon Secretary of State, Audits Division, regarding compliance with the requirements of ORS 327.013 as further defined by the Oregon State Department of Education pertaining to the District's calculations and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2008.

HILLSBORO SCHOOL DISTRICT 1J  
Washington County, Oregon

2007-2008 AUDITORS' COMMENTS AND DISCLOSURES

---

STATE SCHOOL FUND DISTRIBUTION INFORMATION (CONTINUED)

Based upon that work, we have found no instances where the District did not comply with the rules and regulations pertaining to the District's calculation and reporting of the factors used to compute the State School Fund distribution for the year ended June 30, 2008.

STATE HIGHWAY

There were no programs funded from state highway funds during the year ended June 30, 2008.

*Pauly, Rogers and Co. P.C.*  
PAULY, ROGERS AND CO., P.C.



(This page intentionally left blank)

**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2008**

<u>Federal Grantor, Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Period</u>	<u>Revenue</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>					
Passed through Oregon State Department of Education:					
Title 1 Grants to Local Educational Agencies	84.010				
	84.010	9934	2007-08	2,826,141	2,826,141
				<u>\$ 2,826,141</u>	<u>\$ 2,826,141</u>
Migrant Education - Basic State Grant	84011				
Title 1C	84.011	12395	2007-08	287,388	287,388
	84.011	11210	2007-08	683,505	683,505
Title 1C Preschool	84.011	11949	2007-08	94,317	94,317
				<u>\$ 1,065,210</u>	<u>\$ 1,065,210</u>
OLN School District	99.999	11306	2007-08	75,247	75,247
Enhancement & Exte	84.027	11762	2007-08	21,796	21,796
Regional Data Warehouse	99.998	12160	2007-08	3,000	3,000
Special Education - Grants to States	84.027A	8163	2006-07	1,796,804	1,796,804
IDEA - Part B	84.027A	11401	2007-08	1,611,158	1,611,158
SPR&I - Phase 2	84.027A	10727	2007-08	7,455	7,455
				<u>\$ 3,515,461</u>	<u>\$ 3,515,461</u>
Perkins Comprehensive Guide & Couns.	84.048	9848	2007-08	4,531	4,531
Perkins Comprehensive Basic	84.048	9583	2007-08	181,527	181,527
				<u>\$ 186,058</u>	<u>\$ 186,058</u>
Passed through Oregon Department of Human Services					
Vocational Rehabilitation Services - Youth Transition	84.126A	113776-1	2007-08	75,200	75,200
				<u>\$ 75,200</u>	<u>\$ 75,200</u>
Safe and Drug-Free School and Communities State Grants - Title IV	84.186	11090	2007-08	35,360	35,360
	84.186	8571	2006-07	67,838	67,838
				<u>\$ 103,198</u>	<u>\$ 103,198</u>
Education for Homeless Children and Youth - Title X	84.196	10994	2007-08	36,804	36,804
				<u>\$ 36,804</u>	<u>\$ 36,804</u>
Innovative Education - Title V	84.298	10523	2007-08	52,630	52,630
				<u>\$ 52,630</u>	<u>\$ 52,630</u>
Enhancing Ed through Technology - Title II-D	84.318	10334	2007-08	27,313	27,313
				<u>\$ 27,313</u>	<u>\$ 27,313</u>
Reading First-Competitive	84.357	11321	2007-08	517,825	517,825
Reading First Cohort B - ELL	84.357	n/a	2007-08	4,522	4,522
Statewide Literacy Outreach K-3	84.357	11248	2007-08	9,025	9,025
				<u>\$ 531,372</u>	<u>\$ 531,372</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2008**

English Language Acquisition Grants	84.365	9002	2007-08	318,560	318,560	
				<u>\$ 318,560</u>	<u>\$ 318,560</u>	
Teacher Quality State Grants - Title II-A	84.367A	10145	2007-08	696,648	696,648	
				<u>\$ 696,648</u>	<u>\$ 696,648</u>	
REMS	99.999	n/a	2007-08	51,253	51,253	
				<u>\$ 51,253</u>	<u>\$ 51,253</u>	
Safe Schools/Healthy Students PASS grant	84.184L	Q184L050110	2007-08	2,828,353	2,828,353	
				<u>\$ 2,828,353</u>	<u>\$ 2,828,353</u>	(1)
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<u><u>\$ 12,314,201</u></u>	<u><u>\$ 12,314,201</u></u>	
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>						
Passed through Oregon State Department of Education:						
National School Lunch Program - Breakfast	10.553	N/A	2007-08	1,080,433	1,080,433	(1)
National School Lunch Program - Lunch	10.555	N/A	2007-08	3,461,788	3,461,788	(1)
Summer Food Service Program for Children	10.559	3408001	2007-08	52,012	52,012	(1)
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				<u><u>\$ 4,594,233</u></u>	<u><u>\$ 4,594,233</u></u>	
<b>U.S. DEPARTMENT OF LABOR:</b>						
Passed through Work Systems, Inc.						
Workforce Investment Act - Youth Activities	17.259	06-70402	2007-08	362,038	362,038	
				<u>\$ 362,038</u>	<u>\$ 362,038</u>	
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>				<u><u>\$ 362,038</u></u>	<u><u>\$ 362,038</u></u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>						
Passed through Oregon State Department of Human Resources:						
Child Care and Development Block Grant	93.575	CCD05-5055	2007-08	21,177	21,177	
	93.575	CCD06-5054	2007-08	25,826	25,826	
	93.575	CCD06-5110	2007-08	9,552	9,552	
				<u>\$ 56,555</u>	<u>\$ 56,555</u>	
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<u><u>\$ 56,555</u></u>	<u><u>\$ 56,555</u></u>	
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<u><u>\$ 17,327,027</u></u>	<u><u>\$ 17,327,027</u></u>	

(1) Major Program



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

**CERTIFIED PUBLIC ACCOUNTANTS**

- 
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
  - (503) 620-2632 • FAX (503) 684-7522

January 19, 2009

To the Board of Directors  
Hillsboro School District 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 1J as of and for the year ended June 30, 2008, and have issued our report thereon dated January 19, 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Hillsboro School District 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 District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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 District's 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 District's internal control.

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 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 others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

*Pauly, Rogers and Co. P.C.*  
PAULY, ROGERS AND CO., P.C.



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

CERTIFIED PUBLIC ACCOUNTANTS

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

January 19, 2009

To the Board of Directors  
Hillsboro School District 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 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, 2008. Hillsboro School District 1J's major federal programs are identified in the summary of auditor's results section of 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 1J's management. Our responsibility is to express an opinion on Hillsboro School District 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hillsboro School District 1J's compliance with those requirements.

In our opinion, Hillsboro School District 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, 2008.

## Internal Control Over Compliance

The management of Hillsboro School District 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 Hillsboro School District 1J's 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 District's internal control over compliance.

A *control deficiency* in 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 internal controls. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies, as defined above.

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 internal controls.

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*, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Pauly, Rogers and Co. P.C.*  
PAULY, ROGERS AND CO., P.C.

HILLSBORO SCHOOL DISTRICT NO. 1J  
WASHINGTON COUNTY, OREGON

SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS RELATIVE TO FEDERAL AWARDS

For the Year Ended June 30, 2008

---

CURRENT YEAR AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS:

Unqualified Opinion

CURRENT YEAR NONCOMPLIANCE, AUDIT FINDINGS AND QUESTIONED COSTS:

None

CURRENT YEAR AUDITORS' REPORT ON COMPLIANCE FOR MAJOR PROGRAMS:

Unqualified Opinion

PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

None

PROGRAM TESTED AS MAJOR FOR THE YEAR ENDED JUNE 30, 2008:

Safe School - CFDA #84.148L  
Child Nutrition Cluster – CFDA # 10.553, 10.555 and 10.559

DOLLAR THRESHOLD FOR DISTINGUISHING BETWEEN TYPE A AND B PROGRAMS:

\$519,811

LOW-RISK AUDIT QUALIFICATION:

The District qualified as a low-risk auditee under section .530. of OMB Circular A-133.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 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.