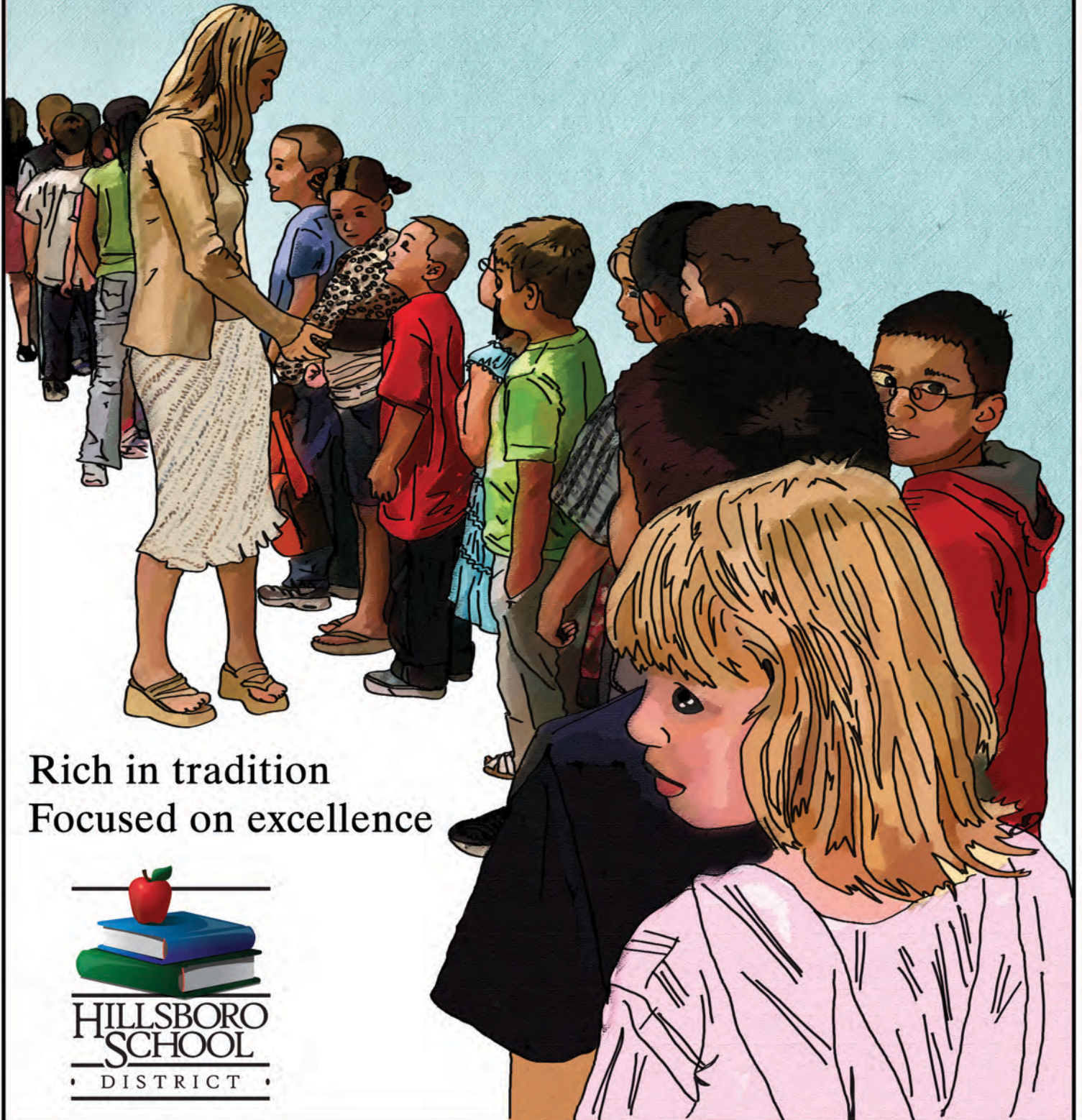


Comprehensive Annual Financial Report

For the Year Ended June 30, 2007



Rich in tradition
Focused on excellence



HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

Comprehensive Annual Financial Report

For the year ended June 30, 2007

Prepared by:

Diane Van Blaricom,
Chief Financial Officer — Deputy Clerk

(This page intentionally left blank)

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	vii
Officials of the District	viii
Organizational Chart	ix
 FINANCIAL SECTION:	
 Independent Auditor's Report	 1
 Management's Discussion and Analysis	 3
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Governmental Funds – Balance Sheet to Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of Governmental Funds – Balance Sheet to Statement of Activities	20
Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual – General Fund	21
Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual – Special Revenue Fund	22
Statement of Fiduciary Fund Net Assets	23
Statement of Changes in Fiduciary Fund Net Assets	24
Notes to Basic Financial Statements	25
 Supplemental Information:	
Schedules of Revenues, Expenditures and Change in Fund Balance – Budget and Actual:	
Debt Service Fund	43
Capital Projects Fund	44
Pension Trust Fund – Post Employment Benefit	45
Other Schedules:	
Schedule of Bonded Debt Transaction	47
Schedule of Future Debt Requirements	48
Schedule of Property Tax Transactions	50
Schedule of Revenues	52
Schedule of General Fund Expenditures	54
Schedule of Special Revenue Fund Expenditures	56

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION (Continued):	
Supplemental Information:	
Other Schedules (Continued):	
Schedule of Debt Service Fund Expenditures	59
Schedule of Capital Projects Expenditures	60
Schedule of Fiduciary Fund Expenditures	62
Supplemental Information as Required by the Oregon Department of Education	63
STATISTICAL SECTION:	
Statistical Section Table of Contents	65
Net Assets by Component	67
Changes in Net Assets – Last Six Fiscal Years	68
Fund Balances of Governmental Funds – Last Nine Fiscal Years	69
Changes in Fund Balances of Government Funds – Last Ten Fiscal years	70
Assessed Values of Taxable Property Within School District Boundaries – Last Eight Fiscal years	72
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	74
Principal Property Tax Payers for Washington County – Current and Nine Years Ago	76
Property Tax Levies and Collection – Last Ten Fiscal Years	77
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	78
Legal Debt Margin Information – Last Ten Fiscal Years	80
Demographic and Economic Statistics – Last Ten Calendar Years	82
Principal Employers for the Portland Metro Area – 2007	83
Certified, Classified and Administrative Employees– Last Nine Fiscal Years	84
Student Enrollment Statistics – Last Ten Fiscal Years	85
Student Enrolment and Capital Asset Statistics – Last Ten Fiscal Years	86
Teacher Data	88
SINGLE AUDIT SECTION:	
Independent Auditor’s 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>	89
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	91
Schedule of Revenues and Expenditures of Federal Awards	93
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS	95

Letter of Transmittal



*Rich
in tradition -
Focused
on excellence*



November 30, 2007

To the Hillsboro School District 1J Community
Hillsboro, Oregon

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

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 ended June 30, 2007, 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's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report 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:

To the Hillsboro School District 1J Community

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 eight years of the District's existence, debt computations, and a variety of demographic, economic, and general information.

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 137,500. Almost all of the over 200 square miles encompassed in the District is located in Washington County. Small portions are located in Multnomah and Yamhill Counties.

The District is the special-purpose municipal corporation exercising financial accountability for all public education within its boundaries. As required by accounting principles generally accepted in the United States of America, all significant activities and organizations have been included in the financial statements.

A seven-member Board of Directors governs the District. They are elected on a District-wide basis to staggered four-year terms. The Directors employ a superintendent, assistant and deputy superintendents, business manager, and other specialists. The District employs 1,044 licensed teachers, counselors, and librarians; 1,060 classified support staff; 40 professionals, technicians, and supervisors; and 68 administrators. The District operates 23 elementary schools, 4 middle schools, 4 high schools, and 2 alternative schools.

ECONOMIC CONDITION

To the Hillsboro School District 1J Community

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 for 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 1980s, 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 saw 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 June 2005, the unemployment rate for Washington County was 4.8%.

MAJOR PROGRAMS

In the spring of 2006, the Hillsboro community, schools, district staff and the 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 2006-07 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 the 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.

To the Hillsboro School District 1J Community

In order to provide adequate and appropriate physical facilities for operations, the



Business Department was responsible for the financial management of multiple construction projects that continued during 2006-07. A \$169 million bond issue was passed in November 2006, which provides funding for the construction of four elementary schools and a middle school. The project list also includes the major remodel of three existing middle schools and 52 small projects throughout the District.

FINANCIAL INFORMATION

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 in accordance with the District's fiscal management policies. Interest income on pooled cash and investments was recorded in the General fund.

Pension 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 current fiscal year, there were 118 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP will require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits beginning in July 2008.

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 was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended June 30, 2007, 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

To the Hillsboro School District 1J Community

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, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as 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 Hillsboro School District 1J for its Comprehensive Annual Financial Report for the year ended June 30, 2006. This was the eighth 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.

To the Hillsboro School District 1J Community

ACKNOWLEDGMENTS

We wish to express our appreciation to the entire Business Department 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 Board of Directors for their continued support and dedication to the financial operations of the District.

Respectfully submitted,

A handwritten signature in cursive script that reads "Diane Van Blaricom".

Diane Van Blaricom
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, 2006

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

OFFICIALS OF THE DISTRICT

JUNE 30, 2007

BOARD OF DIRECTORS

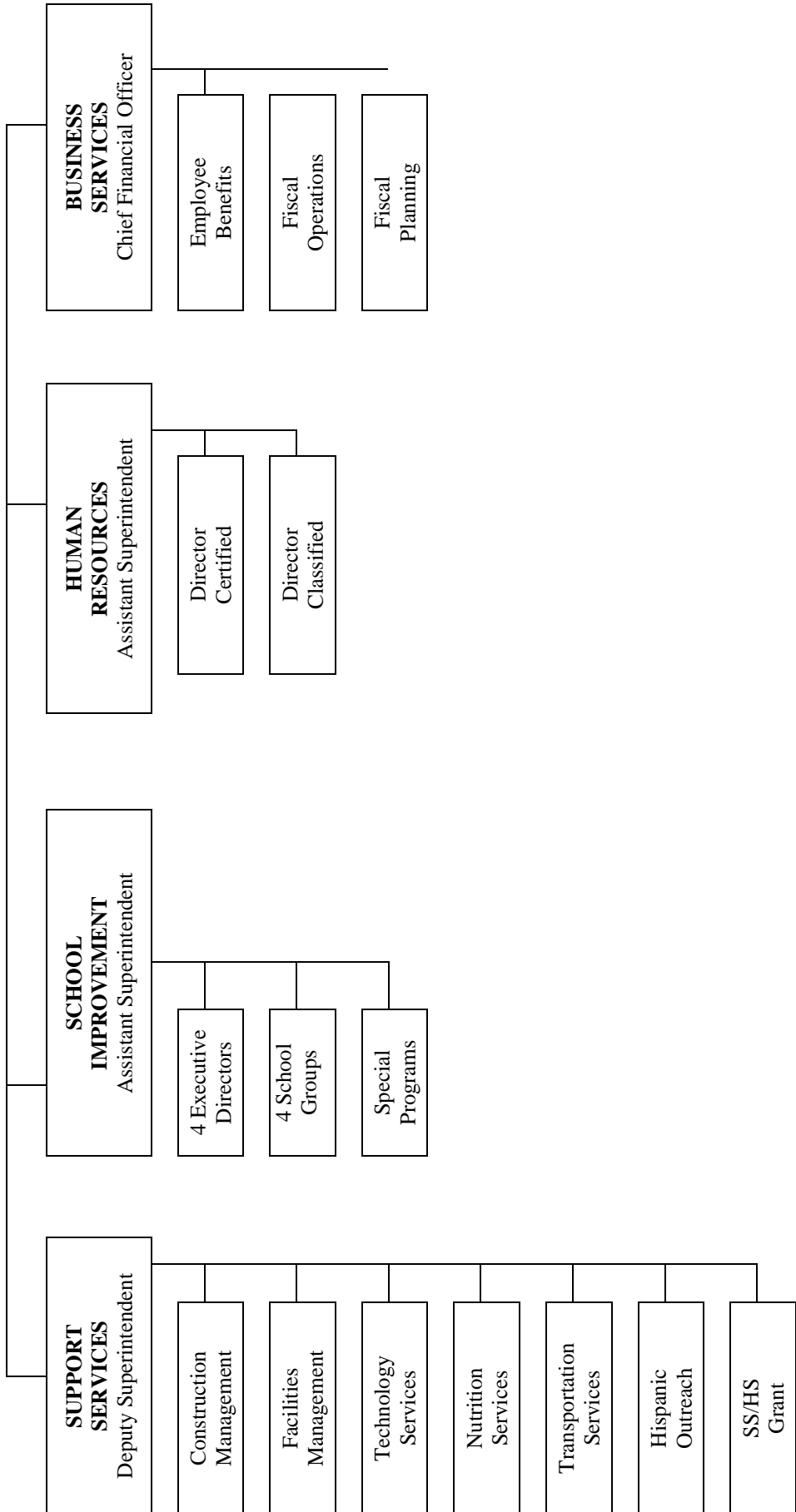
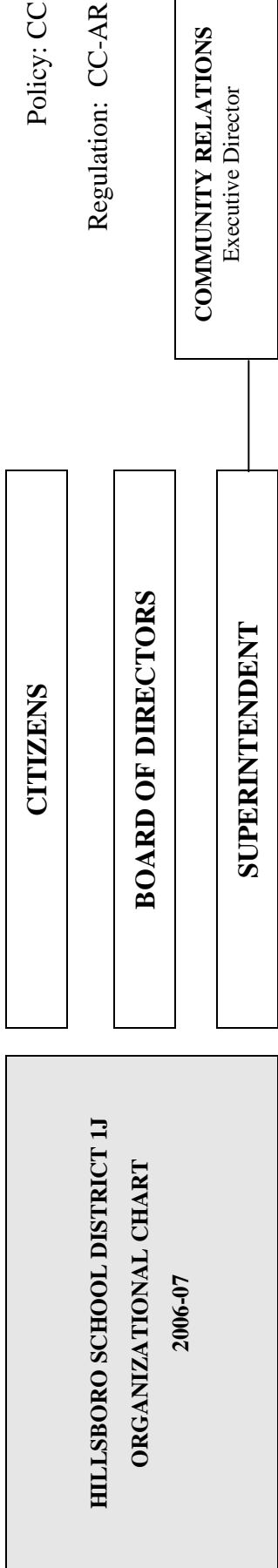
<u>Name</u>	<u>Term Expires</u>
Carolyn Ortman, Chair 2293 SE Meadowlark Drive Hillsboro, Oregon 97123	June 30, 2009
Robb Nerdin 1197 SE 37th Avenue Hillsboro, Oregon 97123	June 30, 2009
Patti McCleod 33720 SW Peaks View Drive Hillsboro, Oregon 97123	June 30, 2009
Rebecca Lantz 6845 NW Roy Road Cornelius, Oregon, 97113	June 30, 2009
Hugh O'Donnell 208 S.E. 59 th Lane Hillsboro, Oregon 97123	June 30, 2007
Monica Cordrey 4037 NE Azalea Street Hillsboro, Oregon 97124	June 30, 2007
John Peterson 3156 NE 11 th Court Hillsboro, Oregon 97124	June 30, 2007

DISTRICT ADMINISTRATION

Jeremy Lyon, Superintendent – Clerk
Diane Van Blaricom, Chief Financial Officer – Deputy Clerk

DISTRICT ADDRESS

3083 NE 49th Place
Hillsboro, Oregon 97124



(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

September 14, 2007

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

INDEPENDENT AUDITORS' REPORT

We have audited the basic financial statements of the Hillsboro School District No. 1J, Washington County, Oregon, as of and for the year ended June 30, 2007, 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, 2007 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 September 14, 2007, 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 48 through 54, 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.

Management's Discussion and Analysis



*Rich
in tradition -
Focused
on excellence*

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

As management of Hillsboro School District 1J (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. 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 \$111.9 million. Of this amount, (\$97.3) million represents the District's investment in capital assets, \$6.6 million is restricted for debt service, \$177.9 million for Capital projects and the balance, \$24.8 million, is unreserved and available to meet the District's ongoing obligations to citizens and creditors.
- For the fiscal year ended June 30, 2007, the District's total net assets increased by \$21.6 million. This increase is attributable to increased state funding, enrollment growth, and the passage of a \$169 million construction bond.
- The District's governmental funds show a combined ending fund balance of \$208.2 million, an increase of \$169.2 million in comparison with the prior year. The increase is attributable to bond proceeds that will be used for new construction and remodeling of existing buildings. At the end of the fiscal year, the unreserved fund balance for the general fund was \$19.8 million or about 14.5% of total general fund expenditures. This was a decrease of approximately \$554,000 from the previous year mainly due to increased cost of salaries, benefits, and utilities.
- The District's total debt increased by \$156.9 million during the 2006-07 fiscal year due to the passage of a \$169 million bond issue in November 2006. The bond projects are projected to continue through the next five years.

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.

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.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

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, and other intergovernmental revenues.

The government-wide financial statements can be found on pages 15 and 16 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 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 17 and 19 of this report.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

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 23 and 24 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 24 through 41 of this report.

Other information. Schedules presenting detailed budgetary information for individual funds and other supplemental information can be found on pages 42 through 53 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, liabilities exceeded assets by \$111.9 million at June 30, 2007.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 37.7 percent of total assets. The remaining assets consist mainly of investments, cash, grants and property taxes receivable, and unamortized bond issuance costs.

The District's largest liability (95.8 percent) is for the repayment of general obligation and pension bonds. Current liabilities, representing about 4.2 percent of the District's total liabilities, consist almost entirely of payables on accounts, salaries and benefits, and the current portion of long-term debt.

Most of the District's net assets reflect its investment in capital assets (e.g. land, buildings, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students and other District residents; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (property taxes or general support funds), since the capital assets themselves cannot be used to liquidate these liabilities.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

Hillsboro School District 1J			
Net Assets			
(in thousands)			
	Governmental Activities		Increase (Decrease) from Fiscal 2006
	2007	2006	
Current and other assets	\$ 326,215	\$ 159,197	\$ 167,018
Capital assets	\$ 197,009	\$ 188,064	\$ 8,945
Total assets	<u>\$ 523,224</u>	<u>\$ 347,261</u>	<u>\$ 175,963</u>
Current liabilities	\$ 16,148	\$ 18,237	\$ (2,089)
Long-term debt outstanding	\$ 395,127	\$ 238,730	\$ 156,397
Total liabilities	<u>\$ 411,275</u>	<u>\$ 256,967</u>	<u>\$ 154,308</u>
Net assets:			
Invested in capital assets, net of related debt	\$ (97,337)	\$ 52,184	\$ (148,078)
Restricted	\$ 184,502	\$ 6,745	\$ 177,757
Unrestricted	\$ 24,783	\$ 31,365	\$ (8,025)
Total net assets	<u>\$ 111,948</u>	<u>\$ 90,294</u>	<u>\$ 21,654</u>

During the current fiscal year, the District's net assets increased by \$21.6 million due to additional revenues from the State School Fund, increased enrollment, and a large cash reserve from bond proceeds for future construction projects. The District's investments in capital assets, net of debt, decreased by \$97.3 million due to construction projects that have been funded but not completed.

Unrestricted net assets decreased by \$.8 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, 2007 are as follows:

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

Hillsboro School District 1J			
Changes in Net Assets			
(in thousands)			
	<u>Governmental Activities</u>		Increase (Decrease)
	<u>2007</u>	<u>2006</u>	from Fiscal 2006
Revenues:			
Program revenues:			
Charges for services	\$ 3,659	\$ 6,163	\$ (2,504)
Operating grants and contributions	16,167	12,265	3,902
Capital grants and contributions	528	404	124
General revenues:			
Property taxes	58,410	57,075	1,335
State school fund - general support	86,828	83,973	2,855
Other state and local sources			
Earnings on investments	8,195	2,654	5,541
Miscellaneous	24,676	9,764	14,912
	<u>198,463</u>	<u>172,298</u>	<u>26,165</u>
Expenses:			
Instruction	93,430	90,626	2,804
Support services	63,574	60,599	2,975
Enterprise and community services	7,379	6,545	834
Facilities acquisition and construction	832	-	832
Interest on long-term debt	11,594	11,798	(204)
Total expenses	<u>176,809</u>	<u>169,568</u>	<u>7,241</u>
Increase in net assets	21,654	2,730	18,924
Net assets – July 1	90,294	87,564	2,730
Net assets – June 30	\$ <u>111,948</u>	\$ <u>90,294</u>	\$ <u>21,654</u>

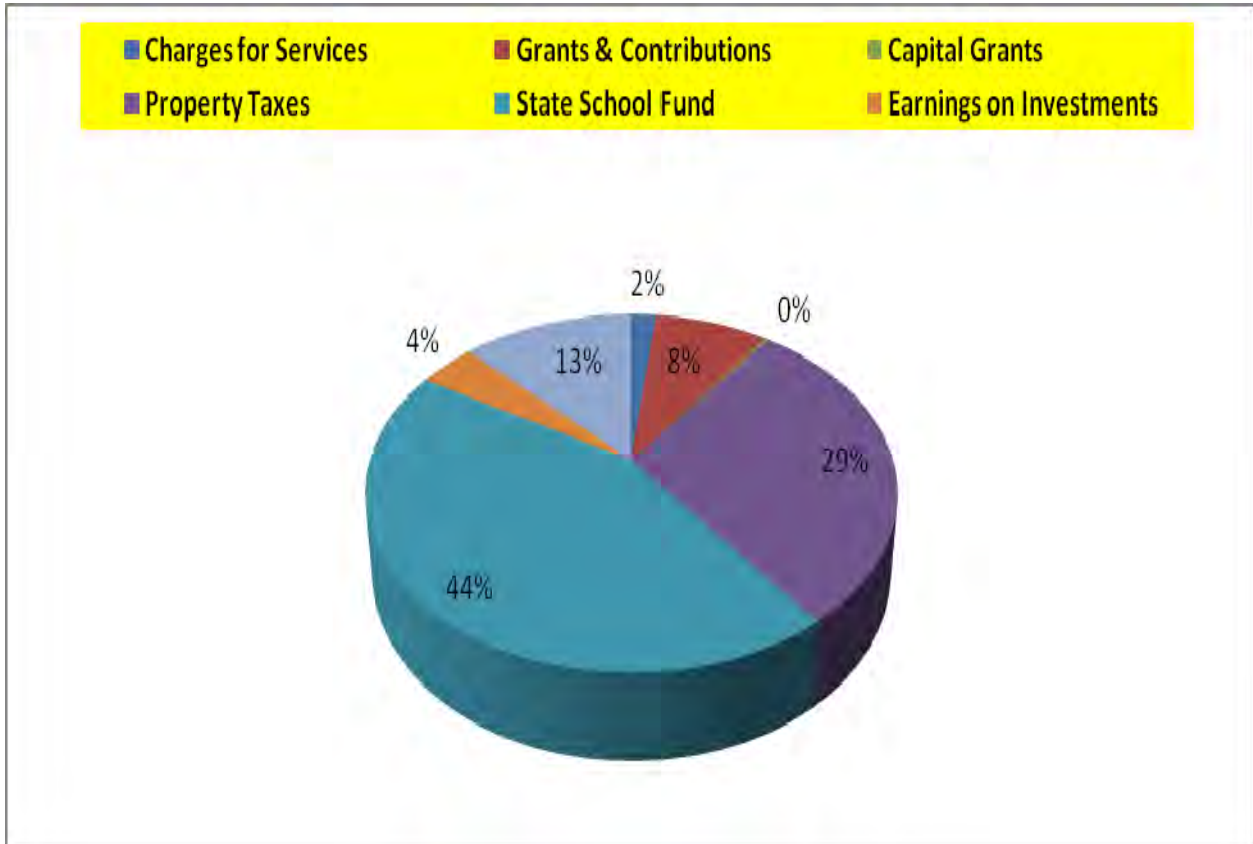
HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

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 \$5.5 million reflecting a continued upward movement in interest rates along with \$169 million in bond proceeds to invest.
- Operating grants and contributions increased by \$3.9 million as the District received more federal and local grants.

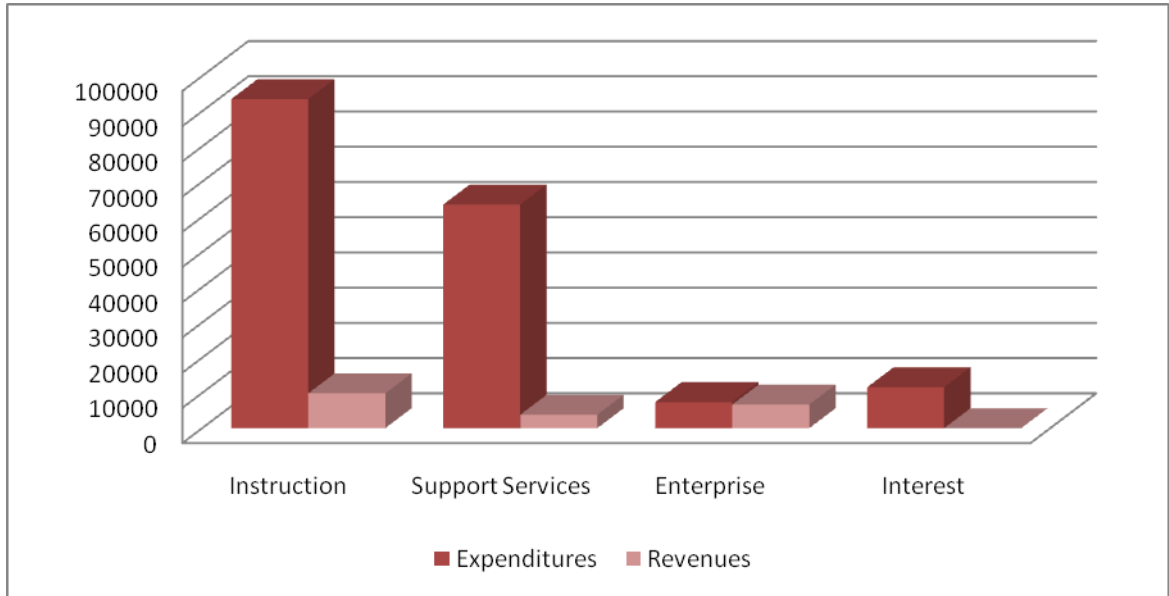
HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



- Program expenses for Instruction increased by over \$2.8 million (3.1 percent) as more dollars were directed toward increased student achievement. Support Services expenses increased by over \$2.9 million (4.9 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.

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 resource's available for spending at the end of a fiscal year.

At June 30, 2007, the District's governmental funds reported combined ending fund balances of \$208.2 million, an increase of \$169.3 million in comparison with the prior year. About \$23.3 million (11.4 percent) of the ending fund balance constitutes *unreserved ending fund balance*, which is available for spending at the government's discretion. About 85.4 percent of fund balance (\$177.9 million) is designated for capital projects, as authorized by voters. An additional \$6.6 million is designated for debt service obligations.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2007, unreserved fund balance was \$19.8 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 14.5 percent of total General Fund expenditures.

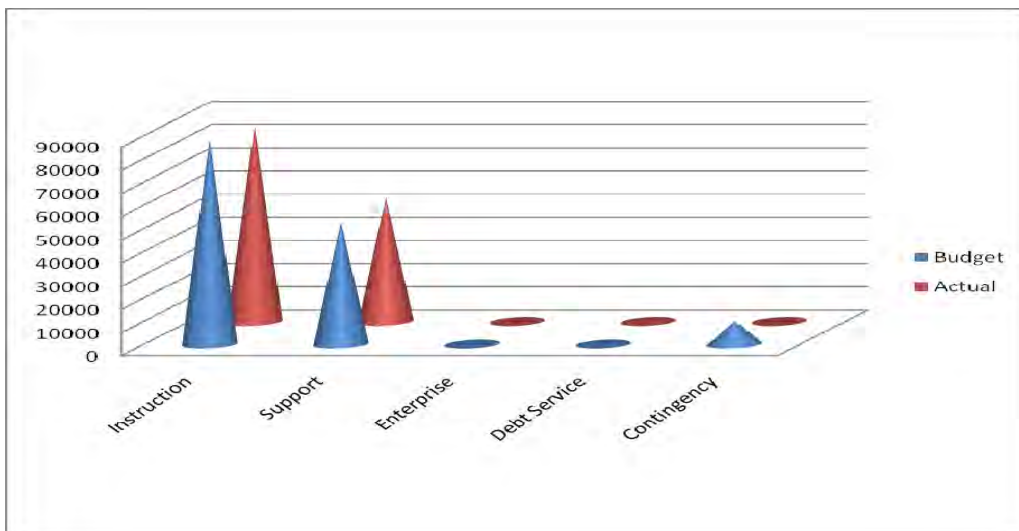
The fund balance decreased by \$554,000 during the current fiscal year. This decrease is mainly due to increased costs for salaries and benefits.

Special Revenue Fund. At June 30, 2007, the unreserved fund balance was \$3.8 million, which is \$1.5 million more than the prior year due to an increase in federal, state and local grants. Expenditures were \$20.8 million as compared to \$22.4 million in revenues.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$6.6 million, all of which is designated for the payment of debt service. The net decrease in fund balance during the current year was approximately \$1.3 million (19.7 percent). This decrease is reflective of the payoff for the Farmington View and North Plains bonds and restructuring of prior bond issues resulting in a savings to taxpayers of \$2.5 million over the life of the bond.

Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$177.9 million, all of which is designated for ongoing capital projects, as authorized by District voters in the November 2000 and the November 2006 elections. Expenditures of \$15.6 million on planned purchases occurred during the year.

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



HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no changes made to the General Fund adopted budget for the fiscal year ended June 30, 2007.

Revenues were \$5.8 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 expenditures were about \$14 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, 2007, the District had invested over \$197 million in capital assets, net of depreciation, as shown in the following table:

Hillsboro School District 1J			
Capital Assets			
(in thousands)			
	Governmental activities		Increase (Decrease)
	2007	2006	from Fiscal 2006
Land	\$ 25,319	\$ 19,958	\$ 5,361
Buildings and improvements	162,517	160,631	1,886
Vehicles & equipment	3,192	7,475	(4,283)
Construction in progress	5,981	0	5,981
Total	\$ 197,009	\$ 188,064	\$ 8,945

During the year, the District's investment in capital assets increased by almost \$8.9 million. The major capital asset events for the year include the following:

- Purchase of property for the new Quatama Elementary School

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

- 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 in 34 of this report.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of almost \$395 million, consisting of general obligation bonds, certificate of participation notes, and PERS pension bonds net of unamortized premium/discount.

Hillsboro School District 1J			
Outstanding Debt			
(in thousands)			
	Governmental activities		Increase/ Decrease
	2007	2006	from Fiscal 2006
General Obligation Bonds	287,242	130,570	156,672
Certificates of Participation	5,035	5,303	(268)
PERS Pension Bonds	102,850	102,850	0
Small energy loan	0	7	(7)
Total	\$ 395,127	\$ 238,730	\$ 156,397

During the current fiscal year, the District's total debt increased by \$156.4 million. The increase is due to the passage of \$169 million bond issue in November 2006. Two prior bonds for Farmington View and North Plains were paid off during the year.

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 \$1.1 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 36-39 of this report.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

YEAR ENDED JUNE 30, 2007

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, 2007, the State School Fund – General Support provided 54.4 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 Employer 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 2005-06. The District 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 in the employer rate for PERS.

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 2006-07 increased by 350 students from 2005-06.

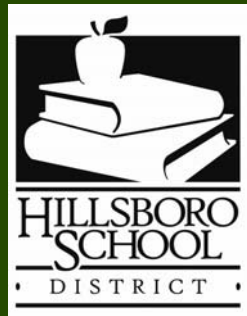
The District's Budget Committee and School Board considered all of these factors while preparing the District's budget for the 2007-08 fiscal year.

REQUESTS FOR INFORMATION

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

(This page intentionally left blank)

Basic Financial Statements



*Rich
in tradition -
Focused
on excellence*

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

STATEMENT OF NET ASSETS**AT JUNE 30, 2007**

	<u>Governmental Activities</u>	<u>Component Unit</u>
<u>ASSETS:</u>		
Cash and investments	\$ 216,233,835	\$ 35,579
Cash held by County	185,790	-
Receivables	7,453,022	323
Supply Inventory and prepaids	1,163,122	1,423
Deposits	-	5,300
Prepaid PERS unfunded liability	100,780,385	-
Bond issuance costs, net of accumulated amortization	397,164	-
Capital assets:		
Not being depreciated	31,299,648	-
Being depreciated, net of accumulated depreciation	<u>165,710,228</u>	<u>35,882</u>
TOTAL ASSETS	<u><u>523,223,194</u></u>	<u><u>78,507</u></u>
<u>LIABILITIES:</u>		
Accounts payable	6,471,746	-
Accrued payroll, payroll taxes and employee withholdings	8,309,756	12,019
Accrued interest payable	514,648	-
Construction Retainage	28,406	-
Unearned revenue	515,016	-
Accrued compensated absences payable	308,811	-
Long-term debt:		
Due within one year	9,642,050	-
Due in more than one year	<u>385,484,847</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>411,275,280</u></u>	<u><u>12,019</u></u>
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	(97,336,636)	35,882
Restricted for debt service	6,573,042	-
Restricted for Capital projects	177,928,489	-
Unrestricted	<u>24,783,019</u>	<u>30,606</u>
TOTAL NET ASSETS	<u><u>\$ 111,947,914</u></u>	<u><u>\$ 66,488</u></u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Instruction:						
Regular programs	\$ 65,174,909	\$ 1,052,400	\$ 3,835,694	\$ -	\$ (60,286,815)	\$ 37,012
Special programs	28,188,076	-	4,959,940	-	(23,228,136)	-
Summer school programs	66,533	18,205	-	-	(48,328)	-
Support services:						
Student services	11,558,489	-	3,036,287	-	(8,522,202)	28,497
Instructional staff services	3,953,174	-	-	-	(3,953,174)	-
General administration	1,573,788	-	-	-	(1,573,788)	-
School administration	11,417,034	-	-	-	(11,417,034)	-
Business services	26,123,163	232,335	-	527,800	(25,363,028)	-
Central activities	6,974,002	-	-	-	(6,974,002)	-
Supplemental retirement program	1,974,988	-	-	-	(1,974,988)	-
Enterprise and community services:						
Food services	6,700,553	2,355,750	3,681,300	-	(663,503)	-
Community services	678,179	-	653,491	-	(24,688)	-
Facilities Improvements (non-capital)	832,064	-	-	-	(832,064)	-
Unallocated Depreciation	-	-	-	-	-	(5,620)
Interest on long-term debt	11,593,839	-	-	-	(11,593,839)	-
Total	\$ 176,808,792	\$ 3,658,690	\$ 16,166,712	\$ 527,800	(156,455,590)	59,889
GENERAL REVENUES:						
Property taxes levied for general purposes					43,741,370	-
Property taxes levied for debt service					14,668,594	-
State School Fund - General Support					86,828,447	-
Earnings on investments					8,194,851	-
Miscellaneous					24,676,622	1,514
Total general revenues					178,109,884	1,514
CHANGE IN NET ASSETS					21,654,294	61,403
NET ASSETS, July 1,2006					90,293,620	5,085
NET ASSETS, June 30, 2007					\$ 111,947,914	\$ 66,488

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

BALANCE SHEET**GOVERNMENTAL FUNDS****AT JUNE 30, 2007**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and investments	\$ 28,384,449	\$ 1,211,937	\$ 5,675,790	\$ 180,961,659	\$ 216,233,835
Cash held by County	138,336	-	47,454	-	185,790
Receivables	2,432,307	3,070,435	454,316	1,495,964	7,453,022
Supply Inventory and prepaids	219,748	170,099	773,275	-	1,163,122
TOTAL ASSETS	<u>31,174,840</u>	<u>4,452,471</u>	<u>6,950,835</u>	<u>182,457,623</u>	<u>225,035,769</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	1,804,590	163,726	-	4,503,430	6,471,746
Accrued payroll, payroll taxes and employee withholdings	-	-	-	-	-
Construction retainage	8,309,740	16	-	-	8,309,756
Deferred revenue	2,702	-	-	25,704	28,406
Deferred revenue	1,169,478	446,526	377,793	-	1,993,797
TOTAL LIABILITIES	<u>11,286,510</u>	<u>610,268</u>	<u>377,793</u>	<u>4,529,134</u>	<u>16,803,705</u>
<u>FUND BALANCES:</u>					
Reserved for inventory and prepaids	219,748	170,099	-	-	389,847
Reserved for scholarships	-	-	-	-	-
Reserved for student activities	-	-	-	-	-
Reserved for debt service	-	-	6,573,042	-	6,573,042
Reserved for capital construction	-	-	-	177,928,489	177,928,489
Unreserved	19,668,582	3,672,104	-	-	23,340,686
TOTAL FUND BALANCES	<u>19,888,330</u>	<u>3,842,203</u>	<u>6,573,042</u>	<u>177,928,489</u>	<u>208,232,064</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 31,174,840</u>	<u>\$ 4,452,471</u>	<u>\$ 6,950,835</u>	<u>\$ 182,457,623</u>	<u>\$ 225,035,769</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS

JUNE 30, 2007

TOTAL FUND BALANCES		\$ 208,232,064
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 292,170,559	
Accumulated depreciation	(95,160,671)	
	<hr/>	197,009,888
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.		1,478,781
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		397,164
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	\$ (514,648)	
Bonds payable (net of premium and discount)	(287,242,364)	
Certificates of participation payable	(5,034,545)	
PERS Pension Bonds Payable	(102,850,000)	
Accrued compensated absences payable	(308,811)	
	<hr/>	(395,950,368)
TOTAL NET ASSETS		<u><u>\$ 111,947,914</u></u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS****FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:					
Local sources:					
Property taxes	\$ 43,640,020	\$ -	\$ 14,634,810	\$ -	\$ 58,274,830
Charges for services	1,302,950	2,462,935	-	-	3,765,885
Earnings on investments	2,451,398	2,040	641,738	5,099,675	8,194,851
Other	479,453	806,343	7,266	82,691	1,375,753
Intermediate sources	3,755,205	77,892	-	-	3,833,097
State sources	85,959,184	869,263	7,182	-	86,835,629
Federal sources	-	15,800,431	-	-	15,800,431
Other sources	10,145	2,339,820	4,388,010	179,965,240	186,703,215
Total Revenues	137,598,355	22,358,724	19,679,006	185,147,606	364,783,691
EXPENDITURES:					
Current:					
Instruction	83,940,285	6,088,027	-	-	90,028,312
Support services	53,505,249	7,734,638	-	20,379	61,260,266
Enterprise and community services	134,795	6,975,322	-	-	7,110,117
Facilities & Acquisition					
Capital outlay	-	-	-	15,556,452	15,556,452
Debt service:					
Other	-	-	38,196	-	38,196
Principal	275,821	-	9,745,000	-	10,020,821
Interest	286,456	-	11,196,772	-	11,483,228
Total Expenditures	138,142,606	20,797,987	20,979,968	15,576,831	195,497,392
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(544,251)	1,560,737	(1,300,962)	169,570,775	169,286,299
FUND BALANCES, July 1, 2006					
	20,432,581	2,281,466	7,874,004	8,357,714	38,945,765
FUND BALANCES, June 30, 2007					
	\$ 19,888,330	\$ 3,842,203	\$ 6,573,042	\$ 177,928,489	\$ 208,232,064

HILLSBORO SCHOOL DISTRICT 1J
Washington County Oregon

RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

NET CHANGES IN FUND BALANCES	\$ 169,286,299
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	\$ 14,724,388
Depreciation	<u>(5,778,131)</u>
	8,946,257
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 premium and discounts	(162,894)
Amortization of issuance costs	(37,937)
Governmental funds do not accrue interest payable, but it is accrued in the government-wide statements.	
	(110,598)
Repayment of Principal on long-term debt is an expenditure in the governmental funds but reduced the liability in the Statement of Net Assets	
	12,599,977
Debt Issued	(168,996,712)
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.	
	135,134
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>(5,231)</u>
CHANGE IN NET ASSETS	<u><u>\$ 21,654,294</u></u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

GENERAL FUND

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

YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local sources:				
Property taxes	\$ 40,000,000	\$ 40,000,000	\$ 43,640,020	\$ 3,640,020
Charges for services	2,212,000	2,212,000	1,302,950	(909,050)
Earnings on investments	950,000	950,000	2,451,398	1,501,398
Other	10,000	10,000	479,453	469,453
Intermediate sources	3,375,000	3,375,000	3,734,125	359,125
State sources	88,109,000	88,109,000	85,959,184	(2,149,816)
Federal sources	15,000	15,000	21,080	6,080
Other sources	50,000	50,000	10,145	(39,855)
Total Revenues	<u>134,721,000</u>	<u>134,721,000</u>	<u>137,598,355</u>	<u>2,877,355</u>
EXPENDITURES:				
Current:				
Instruction	88,742,777	88,742,777 (1)	83,940,285	4,802,492
Support services	52,709,723	52,709,723 (1)	53,505,250	(795,527)
Enterprise Funds	168,500	168,500 (1)	134,795	33,705
Debt Service	600,000	600,000 (1)	562,276	37,724
Contingency	2,500,000	2,500,000 (1)	-	2,500,000
Total Expenditures	<u>144,721,000</u>	<u>144,721,000</u>	<u>138,142,606</u>	<u>6,578,394</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(10,000,000)	(10,000,000)	(544,251)	9,455,749
FUND BALANCES, July 1, 2006	<u>17,500,000</u>	<u>17,500,000</u>	<u>20,432,581</u>	<u>2,932,582</u>
FUND BALANCES, June 30, 2007	<u>\$ 7,500,000</u>	<u>\$ 7,500,000</u>	<u>\$ 19,888,330</u>	<u>\$ 12,388,331</u>

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SPECIAL REVENUE FUND**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL****YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Charges for services	\$ 6,192,840	\$ 6,193,065	\$ 2,462,935	\$ (3,730,130)
Earnings on investments	-	-	2,040	2,040
Intermediate sources	75,000	80,450	77,892	(2,558)
State sources	562,000	667,762	869,263	201,501
Federal sources	15,201,000	14,538,836	15,800,431	1,261,595
Other sources	2,293,806	2,768,174	3,146,163	377,989
Total Revenues	24,324,646	24,248,287	22,358,724	(1,889,563)
EXPENDITURES:				
Current:				
Instruction	10,345,283	10,321,450 (1)	6,088,027	4,233,423
Support services	7,917,217	7,734,646 (1)	7,734,638	8
Enterprise and community services	7,480,648	7,868,119 (1)	6,975,322	892,797
Other Funds	150,000	- (1)	-	-
Total Expenditures	25,893,148	25,924,215	20,797,987	5,126,228
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(1,568,502)	(1,675,928)	1,560,737	3,236,665
FUND BALANCES, July 1, 2006	1,568,502	1,675,928	2,281,466	605,538
FUND BALANCES, June 30, 2007	\$ -	\$ -	\$ 3,842,203	\$ 3,842,203

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J
Washington County Oregon

STATEMENT OF FIDUCIARY FUND NET ASSETS

JUNE 30, 2007

	Pension Trust Fund	PERS Reserve Fund
ASSETS:		
Cash and investments	<u>\$ 457,808</u>	<u>\$ 1,500,000</u>
NET ASSETS:		
Held in trust for post employment benefits	<u>\$ 457,808</u>	
Held in trust for increased PERS cost in 2007-09		<u>\$ 1,500,000</u>

HILLSBORO SCHOOL DISTRICT 1J
Washington County Oregon

STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS

YEAR ENDED JUNE 30, 2007

	<u>Pension Trust Fund</u>	<u>PERS Reserve Fund</u>
ADDITION:		
Employer contributions	<u>\$ 1,000,000</u>	<u>\$ 750,000</u>
DEDUCTION:		
Post employment benefits	<u>943,325</u>	<u>-</u>
INCREASE/DECREASE IN NET ASSETS	56,675	750,000
NET ASSETS - held in trust for post employment benefits - July 1, 2006	<u>401,133</u>	<u>750,000</u>
NET ASSETS - held in trust for post employment benefits - June 30, 2007	<u><u>\$ 457,808</u></u>	<u><u>\$ 1,500,000</u></u>

Notes to Basic Financial Statements



*Rich
in tradition -
Focused
on excellence*

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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, 2007

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, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (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, 2007

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, 2007

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, 2007

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 \$308,811.

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.

Budget

A budget is prepared and legally adopted for the governmental and fiduciary funds on the modified accrual basis of accounting. The budget is adopted by the Board, appropriations made, and the tax levy is declared not later than June 30. The

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget

resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established at the major function level (instruction, support services, enterprise and community services, facilities acquisition and construction, debt service, operating contingency, and operating transfers out) for each fund. The detailed budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. 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 a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10 percent of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the Board. The District adopted one supplemental budget during the year after the passage of the November 2006 bond election. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. Appropriations lapse at the end of each fiscal year.

2. CASH AND INVESTMENTS

Cash and investments are comprised of:

Cash on hand	\$2,850
Deposits with financial institutions:	
Demand deposits	2,220,758
Money market	40,979,436
Investments (Agencies, CD's and LGIP)	<u>174,988,599</u>
Total	<u>\$218,191,643</u>

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

Statement of Net Assets:	
Cash and investments	\$216,233,835
Book overdraft	
Statement of Fiduciary Net Assets:	
Cash and investments	<u>1,957,808</u>
Total	<u>\$218,191,643</u>

The bank balance at the highest month was \$213,408,031 (plus student body balance). Of these deposits, \$375,000 was covered by federal depository insurance and \$11,789,923 was covered by collateral held in the pledging bank's trust

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

2. CASH AND INVESTMENTS (Continued)

department in the District's name. There were no amounts 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	\$275,000,000
Wells Fargo	600,000
Columbia Community Bank	300,000
Washington Mutual	<u>250,000</u>
Total	<u>\$276,150,000</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, 2007, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
Certificates of Deposit	\$ 6,557,500	0	\$6,557,500	0
U.S. Government Agency FCDN	4,327,518	0	4,327,518	0
U.S. Government Agency FFCB	8,258,160	0	8,258,160	0
U.S. Government Agency FHLB	50,007,834	0	37,423,823	\$12,584,012
U.S. Government Agency FHLMC	23,673,377	0	11,140,660	12,532,718
U.S. Government Agency FICO	5,153,229	0		5,153,229
U.S. Government Agency FNLB	1,995,235	0	1,995,235	0
U.S. Government Agency FMCDN	4,327,228	4,327,228	0	0
U.S. Government FNMA	50,839,876	7,016,939	33,612,247	\$10,210,689
State Treasurer's Investment Pool	19,848,641	19,848,641	0	0
Total	\$174,988,599	\$31,192,808	\$103,315,143	\$40,480,648

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

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, 2007, 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, 2007

2. CASH AND INVESTMENTS (Continued)

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

Issuer	Percentage of Total Investments	Policy Maximum Allowed	Fund Concentrations Exceeding Total Entity Concentration	
			Debt Service Fund	Capital Projects Fund
Certificates of Deposit	3.75%	100%		
U.S. Government Agency FCDN	2.47%	100%		
U.S. Government Agency FFCB	4.72%	100%		
U.S. Government Agency FHLB	28.58%	100%		
U.S. Government Agency FHLMC	13.53%	100%		
U.S. Government Agency FICO	2.94%	100%		
U.S. Government Agency FNLB	1.14%	100%		
U.S. Government Agency FMCDN	2.47%	100%		
U.S. Government FNMA	29.05%	100%		
State Treasurer's Investment Pool	11.34%	100%		

3. RECEIVABLES

Receivables are comprised of the following:

Property taxes	\$1,779,288
Grants	\$3,138,470
Interest and other	<u>\$2,535,264</u>
<u>Total</u>	<u>\$7,453,022</u>

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

Capital Assets Year Ended June 30, 2007

	Balance <u>July 1, 2006</u>	<u>Increase</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
Capital assets not being depreciated:				
Land	19,957,917	6,069,216	708,100	25,319,033
CIP	-	5,980,615	-	5,980,615
Total capital assets not being depreciated	<u>19,957,917</u>	<u>12,049,831</u>	<u>708,100</u>	<u>31,299,648</u>
Capital assets being depreciated:				
Building and improvements	221,785,151	2,372,169	-	224,157,320
Original furniture and fixtures	23,183,035	-	-	23,183,035
Equipment	2,164,593	134,671	-	2,299,264
<u>Capital Assets Year Ended June 30, 2005 (continued)</u>				
Capital assets being depreciated: (continued)				
Motor vehicles	8,622,775	792,940	-	9,415,715
Information technology equipment	1,732,688	82,877	-	1,815,565
Total capital assets being depreciated	<u>257,488,242</u>	<u>3,382,657</u>	<u>-</u>	<u>260,870,899</u>
Less accumulated depreciation for:				
Building and improvements	(61,154,109)	(4,511,697)	-	(65,665,806)
Original furniture and fixtures	(18,764,636)	(392,535)	-	(19,157,171)
Equipment	(1,554,882)	(96,447)	-	(1,651,329)
Motor vehicles	(6,456,136)	(699,754)	-	(7,155,890)
Information technology equipment	(1,452,777)	(77,698)	-	(1,530,475)
Total accumulated depreciation	<u>(89,382,540)</u>	<u>(5,778,131)</u>	<u>-</u>	<u>(95,160,671)</u>
Total capital assets being depreciated, net	<u>168,105,702</u>	<u>(2,395,473)</u>	<u>-</u>	<u>165,710,228</u>
Total capital assets, net	<u>188,063,621</u>	<u>9,778,321</u>	<u>708,100</u>	<u>197,009,876</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, 2007

4. CAPITAL ASSETS (continued)

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

<u>PROGRAM</u>	<u>DEPRECIATION</u>
Regular Programs	\$20,643
Special Programs	\$0
Business Services	\$5,190,808
Central Activities	470,233
Enterprise and Community Services	-
Food Service	\$96,447
Community Services	-
Total Depreciation	<u>\$5,778,131</u>

5. COMPENSATED ABSENCES

Activity for compensated absences, all of which are considered due within one year, for the year ended June 30, 2007 as follows:

Balance July 1, 2006	\$303,580
Additions	\$308,811
Payments	<u>(\$303,580)</u>
Balance June 30, 2007	<u>\$308,111</u>

6. LONG-TERM DEBT

Long-term debt is comprised of:

Bonds payable	\$287,242,352
Certificates of participation	5,034,545
Energy loan payable	0
PERS Pension Bonds	<u>102,850,000</u>
Balance June 30, 2007	<u>\$395,126,897</u>
Due within one year	<u>9,642,050</u>
Due in more than one year	<u>\$385,484,847</u>

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

6. LONG-TERM DEBT (Continued)

Bonds Payable

Bonds payable transactions for the year are as follows:

Description	Original Issue	Outstanding July 1, 2006	Additions	Matured and Redeemed	Outstanding June 30, 2007	Due Within One Year
Hillsboro Elementary District No 7, issued April 1, 1993, interest at 2.7-5.1%	\$3,830,000	995,000	-	310,000	685,000	335,000
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	1,945,000	-	365,000	1,580,000	390,000
Farmington View School District No. 58JT, issued November 1, 1986, interest at 5.5-6.6%	\$993,000	90,000	-	90,000	0	0
North Plains School District No. 70, issued July 1, 1992, interest at 5.7-6.1%	\$695,000	85,000	-	85,000	0	0
Hillsboro School District 1J, issued March 1, 1998, interest rate 4.0-5.0%	\$22,795,000	21,750,000	-	2,000,000	19,750,000	2,070,000
Hillsboro School District 1J, issued March 1999, partially refunded May 2005, interest rate 4.0-5.3%	\$37,300,000	5,485,000	-	1,750,000	3,735,000	1,830,000
Hillsboro School District 1J, issued February 6, 2001 and partially refunded May 2005, interest rate 3.8-5.1%	\$98,000,000	22,830,000	-	4,195,000	18,635,000	4,355,000
Hillsboro School District 1J refunding issue May 2005, interest 3.7-5.12%	\$78,055,000	75,850,000	-	950,000	74,900,000	
Hillsboro School District 1J issued December 19, 2006, interest at 4.0-5.0%	\$168,996,712	-	168,996,712	-	168,996,712	
Total		\$129,030,000	\$168,996,712	\$9,745,000	\$288,281,712	\$8,980,000
Unamortized Premium		1,316,972	-	277,636	1,039,360	277,624
Grand Total		\$130,346,972	\$168,196,712	\$10,022,636	\$287,242,352	\$9,257,624

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Future maturities of bond principal and interest are as follows:

Fiscal Year Ending June 30, 2007	Principal	Interest
2008	\$8,980,000	\$16,941,497
2009	\$13,765,000	\$12,946,169
2010	\$14,920,000	\$12,312,570
2011	\$16,505,000	\$11,607,983
2012	\$16,535,000	\$10,844,988
2013-2017	\$96,400,000	\$41,640,038
2018-2022	\$71,215,000	\$19,357,513
2023-2026	<u>\$49,961,712</u>	<u>\$19,961,288</u>
TOTAL	<u>\$288,281,712</u>	<u>\$145,612,044</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. As of June 30, 2007, \$20,810,000 of bonds outstanding are considered defeased.

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, 2007

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.

<u>Description</u>	<u>Outstanding 7/1/2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding 6/30/2007</u>	<u>Due in One Year</u>
Certificate of Participation	\$5,325,000	-	\$270,000	\$5,055,000	\$270,000
Unamortized Discount	<u>(22,029)</u>	-	<u>(1,574)</u>	<u>(20,455)</u>	<u>(1,574)</u>
Net COPs	<u>\$5,302,971</u>	-	<u>268,426</u>	<u>5,034,545</u>	<u>268,426</u>
Energy Loan Payable	5,856	-	5,856	-	-
PERS Pension Bonds	<u>102,850,000</u>	-	<u>0</u>	<u>102,850,000</u>	<u>120,000</u>
Total	<u>\$108,158,827</u>	-	<u>(\$27,4282)</u>	<u>\$107,884,545</u>	<u>\$384,426</u>

Future maturities of principal are as follows:

<u>Fiscal Year Ending June 30, 2007</u>	<u>Principal</u>	<u>Interest</u>
2008	\$390,000	\$5,098,957
2009	705,000	5,080,360
2010	1,040,000	5,048,452
2011	1,405,000	5,001,950
2012	1,800,000	4,939,086
2013-2017	16,070,000	23,061,185
2018-2022	30,565,000	17,941,305
2023-2028	<u>55,930,000</u>	<u>9,227,701</u>
Total	<u>\$107,905,000</u>	<u>\$75,398,996</u>

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

7. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, are as follows:

Transfers in:	Non-governmental funds	\$1,750,000
Transfers out:	General Fund	\$1,750,000

The District made transfers totaling \$1,750,000 from the General Fund to Non-major Governmental Funds. Of this amount, \$1,000,000 was transferred to the Pension Reserve fund to pay negotiated stipends for retired employees, and \$750,000 was transferred to a PERS reserve fund to offset the anticipated increases in employer PERS rates.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The District maintains single employer post-employment benefit programs (commonly referred to as early retirement). These programs cover licensed and administrative personnel of the District, individual employees, and certain retired employees.

As established by employee contracts, retiree stipends are determined by employee group:

- ❖ Licensed employees had to retire prior to June 30, 2004, and were employed by the District or one or more of the predecessor Districts continuously for the preceding 12 years or more and be eligible for PERS benefits. This program will finalize the phase out in June 2008.
- ❖ Administrative personnel are not required to retire prior to June 30, 2004 but must meet the longevity and PERS criteria.
- ❖ The District will pay eligible employees a monthly stipend of \$500 for four years or until the employee reaches age 62 (for licensed employees) and age 65 (for administrative employees), whichever occurs first.
- ❖ For individual employees and retired employees of certain predecessor Districts, the requirements for these benefits vary, but generally follow the benefits being paid under the current early retirement plans, plus group insurance coverage.

The total expense for benefits to teachers and administrators retired under these programs was \$943,325. The District covers these obligations through annual appropriations on a pay-as-you-go basis.

Program membership at year-end was 103 licensed and 15 administrators.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2007

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, 2007, 2006, and 2005 were approximately \$11,752,738, \$10,945,871, and \$8,040,237, 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, 2007

10. RISK MANAGEMENT (Continued)

Settlements have not exceeded insurance coverage for each of the three years ended June 30, 2007.

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 material adverse effect on the financial condition of the District.

Due to the passage of a bond issue, the District had construction commitments as of June 30, 2007. Contracts that were entered into before June 30 for future projects consisted of Skanska Construction - \$31,241,126 (contractor for the construction of 2 elementary schools), Robinson Construction \$16,090,000 (construction of 1 elementary school), Bourke Construction-\$159,000 (remodel of 2 school offices), P&C Construction-\$12,925,759 (remodel of 2 middle schools).

The District receives a substantial portion of its operating funding from the State of Oregon. State funding is determined through state wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate they can cause 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.

Supplementary Information



*Rich
in tradition -
Focused
on excellence*

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

DEBT SERVICE FUND

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

YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local sources:				
Taxes - current year's levy	\$ 14,319,648	\$ 14,319,648	\$ 14,377,836	\$ 58,188
Taxes- prior years' levies	278,200	278,200	230,316	(47,884)
Taxes- penalties and interest	7,750	7,750	26,658	18,908
Interest on investments	517,900	517,900	641,738	123,838
Miscellaneous	4,649,098	4,649,098	4,402,458	(246,640)
Total local sources	19,772,596	19,772,596	19,679,006	(93,590)
Federal sources:				
Other revenue in lieu of taxes	4,200	4,200	-	(4,200)
Total revenues	19,776,796	19,776,796	19,679,006	(97,790)
EXPENDITURES:				
Other sources:				
Debt service:				
Principal	9,745,000	9,745,000	9,745,000	-
Other	-	-	38,196	38,196
Interest	11,191,592	11,196,777	11,196,772	(5)
Total expenditures	20,936,592	20,941,777 (1)	20,979,968	38,191
DEFICIENCY OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(1,159,796)	(1,164,981)	(1,300,962)	135,981
FUND BALANCE, July 1, 2006	6,576,170	6,576,170	7,874,004	1,297,834
FUND BALANCE, June 30, 2007	\$ 5,416,374	\$ 5,411,189	\$ 6,573,042	\$ 1,433,815

(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****YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local sources:				
Interest on investments	\$ 112,700	\$ 362,700	\$ 5,099,675	\$ 4,736,975
Sale of bonds	-	169,000,000	179,965,240	10,965,240
Miscellaneous	250,300	300	82,691	82,391
Total revenues	<u>363,000</u>	<u>169,363,000</u>	<u>185,147,606</u>	<u>15,784,606</u>
EXPENDITURES:				
Facilities acquisition and construction:				
Service area direction:				
Salaries and wages	20,000	20,000	78,735	(58,735)
Employee benefits	2,000	2,000	24,726	(22,726)
Purchased services	1,751,522	-	132,720	(132,720)
Supplies and materials	-	-	2,237	(2,237)
Building acquisition and construction:				
Purchased services	1,169,478	2,921,000	5,822,477	(2,901,477)
Supplies and materials	80,000	80,000	179,899	(99,899)
Capital outlay	2,000,000	171,000,000	9,046,832	161,953,168
Other	500,000	500,000	268,826	231,174
Reserved for Next Year	3,540,000	3,540,000	-	3,540,000
Other facilities construction:				
Purchased services	-	-	448	(448)
Supplies and materials	-	-	-	-
Capital outlay	-	-	19,931	(19,931)
Total facilities acquisition and construction	<u>9,063,000</u>	<u>178,063,000</u>	<u>15,576,831</u>	<u>162,486,169</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(8,700,000)	(8,700,000)	169,570,775	178,270,775
FUND BALANCE, July 1, 2006	<u>8,700,000</u>	<u>8,700,000</u>	<u>8,357,714</u>	<u>(342,286)</u>
FUND BALANCE, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,928,489</u>	<u>\$ 177,928,489</u>

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J
Washington County Oregon

PENSION-TRUST-POST EMPLOYMENT BENEFIT

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

YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Local sources:				
Charges to other funds	<u>\$ 2,432,307</u>	<u>\$ 2,432,307</u>	<u>\$1,000,000</u>	<u>\$ (1,432,307)</u>
EXPENDITURES:				
Support services:				
Early retirement program:				
Salaries and wages	900,000	900,000	866,750	33,250
Employee benefits	<u>200,000</u>	<u>200,000</u>	<u>76,575</u>	<u>123,425</u>
Total expenditures	<u>1,100,000</u>	<u>1,100,000</u>	<u>(1) 943,325</u>	<u>156,675</u>
DEFICIENCY OF REVENUES OVER Expenditures AND NET CHANGE IN FUND BALANCE	1,332,307	1,332,307	56,675	(1,275,632)
FUND BALANCE, July 1, 2006	<u>100,000</u>	<u>100,000</u>	<u>401,133</u>	<u>301,133</u>
FUND BALANCE, June 30, 2007	<u><u>\$ 1,432,307</u></u>	<u><u>\$ 1,432,307</u></u>	<u><u>\$ 457,808</u></u>	<u><u>\$ (974,499)</u></u>

(1) Appropriation Level

(This page intentionally left blank)

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF BONDED DEBT TRANSACTIONS

YEAR ENDED JUNE 30, 2007

Issue Date	Outstanding June 30, 2006	Matured and Redeemed	Outstanding June 30, 2007	Interest	
				Interest Coupon Rates	Matured and Redeemed
Hillsboro Elementary School District No. 7:					
April 1, 1993	\$ 995,000	\$ 310,000	\$ 685,000	2.7 to 5.1%	\$ 50,745
Reedville School District No. 29:					
August 1, 1993	1,780,000	315,000	1,465,000	4.5 to 5.2%	83,799
July 1, 1994	165,000	50,000	115,000	5.4 to 5.8%	9,545
Farmington View School District No. 58JT:					
November 1, 1986	90,000	90,000	-	5.5 to 6.6%	2,970
North Plains School District No. 70:					
July 1, 1992	85,000	85,000	-	5.7 to 6.1%	5,185
Hillsboro School District 1J:					
March 1, 1993	21,750,000	2,000,000	19,750,000	4.0 to 5.0%	1,026,936
March 1, 1999	5,485,000	1,750,000	3,735,000	4.0 to 5.3%	237,525
February 1, 2001	22,830,000	4,195,000	18,635,000	3.8 to 5.1%	1,049,708
May, 2005	75,850,000	950,000	74,900,000	3.0 to 5.1%	3,904,264
November, 2006	-	-	168,996,712	-	-
	<u>\$ 129,030,000</u>	<u>\$ 9,745,000</u>	<u>\$ 288,281,712</u>	<u>\$ -</u>	<u>\$ 6,370,677</u>
PERS Pension Bonds					
June 21, 2005	<u>\$ 102,850,000</u>	<u>\$ -</u>	<u>\$ 102,850,000</u>	<u>3.7 to 4.8%</u>	<u>\$ 4,826,095</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS

JUNE 30, 2007

PRINCIPAL

Hillsboro Elementary				
Fiscal Year	Total	April 1, 1993	August 1, 1993	July 1, 1994
2007-2008	\$ 8,980,000	\$ 335,000	\$ 335,000	\$ 55,000
2008-2009	2,432,307	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	-	-	-
2013-2017	96,400,000	-	-	-
2018-2022	71,215,000	-	-	-
2023-2026	49,961,712	-	-	-
	\$ 288,281,712	\$ 685,000	\$ 1,465,000	\$ 115,000

INTEREST

Fiscal	Total	April 1, 1993	August 1, 1993	July 1, 1994
2007-2008	\$ 16,941,497	\$ 34,935	\$ 67,302	\$ 6,670
2008-2009	12,946,169	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	-	-	-
2013-2017	41,640,038	-	-	-
2018-2022	19,357,513	-	-	-
2023-2026	19,961,286	-	-	-
	\$ 145,612,044	\$ 52,785	\$ 157,522	\$ 10,150

PRINCIPAL

Hillsboro School District 1J			Hillsboro School District	Hillsboro School District
March 1, 1998	March 1, 1999	February 6, 2001	May 26, 2005	December 19, 2006
\$ 2,070,000	\$ 1,830,000	\$ 4,355,000	\$ -	\$ -
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
8,340,000	-	-	48,780,000	39,280,000
-	-	-	12,105,000	59,110,000
-	-	-	-	49,961,712
\$ 19,750,000	\$ 3,735,000	\$ 18,635,000	\$ 74,900,000	\$ 168,996,712

INTEREST

March 1, 1998	March 1, 1999	February 6, 2001	May 26, 2005	December 19, 2006
\$ 925,188	\$ 158,775	\$ 888,200	\$ 3,871,012	\$ 10,979,414
827,431	81,915	714,000	3,871,012	7,380,950
729,688	-	487,500	3,855,262	7,217,550
612,500	-	249,750	3,721,513	7,023,950
479,875	-	-	3,564,763	6,800,350
639,500	-	-	11,178,000	29,822,538
-	-	-	635,513	18,722,000
-	-	-	-	19,961,288
\$ 4,214,182	\$ 240,690	\$ 2,339,450	\$ 30,697,075	\$ 107,908,040

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

YEAR ENDED JUNE 30, 2007

	<u>Tax Year</u>	<u>Uncollected July 1, 2006</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>
<u>GENERAL FUND</u>				
Current	2006-07	\$ -	\$44,885,661	\$ (1,141,756)
Prior	2005-06	832,815	-	406
	2004-05	211,313	-	342
	2003-04	102,471	-	533
	2002-03	42,592	-	47
	2001-02	12,019	-	1
	2001-Prior	16,606	-	-
Total prior		<u>1,217,816</u>	<u>-</u>	<u>-</u>
Total General Fund		<u>\$ 1,217,816</u>	<u>\$44,885,661</u>	<u>\$ (1,141,756)</u>
<u>DEBT SERVICE FUND</u>				
Current	2006-07	\$ -	\$15,037,583	\$ (382,955)
Prior	2005-06	291,352	-	143
	2004-05	81,027	-	132
	2003-04	38,399	-	199
	2002-03	17,072	-	19
	2001-02	5,719	-	1
	2001-Prior	3,810	-	-
Total prior		<u>437,379</u>	<u>-</u>	<u>494</u>
Total Debt Service Fund		<u>437,379</u>	<u>15,037,583</u>	<u>(382,461)</u>
TOTAL ALL FUNDS		<u>\$ 1,655,195</u>	<u>\$59,923,244</u>	<u>\$ (1,524,217)</u>

<u>Interest</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2007</u>
\$ 14,102	\$ (86,931)	\$ (42,741,017)	\$ 930,059
35,549	(34,879)	(654,725)	179,166
26,486	(18,350)	(102,302)	117,489
29,530	(24,851)	(58,605)	49,078
9,166	(2,885)	(34,697)	14,223
11,681	(585)	(5,870)	17,246
7,674	(244)	(4,996)	19,040
-	-	-	-
<u>120,086</u>	<u>(81,794)</u>	<u>(861,195)</u>	<u>394,913</u>
<u>\$ 134,188</u>	<u>\$ (168,725)</u>	<u>\$ (43,602,212)</u>	<u>\$ 1,324,972</u>
<u>4,723</u>	<u>(29,125)</u>	<u>(14,319,082)</u>	<u>311,144</u>
17,437	(12,203)	(236,691)	60,038
11,322	(7,036)	(39,228)	46,217
11,497	(9,312)	(21,961)	18,822
9,530	(1,155)	(13,908)	11,558
800	(280)	(2,792)	3,448
482	(55)	(1,148)	3,089
-	-	-	-
<u>51,068</u>	<u>(30,041)</u>	<u>(315,728)</u>	<u>143,172</u>
<u>55,791</u>	<u>(59,166)</u>	<u>(14,634,810)</u>	<u>454,316</u>
<u>\$ 189,979</u>	<u>\$ (227,891)</u>	<u>\$ (58,237,022)</u>	<u>\$ 1,779,288</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF REVENUES**YEAR ENDED JUNE 30, 2007**

	Fund 100	Fund 200	Fund 300
REVENUES:			
Revenue from local sources:			
1110 Ad Valorem taxes paid by District	\$ 43,559,078	\$ -	\$ 14,608,152
1190 Penalties and Interest on taxes	80,940	-	26,658
1310 Tuition	17,679	525	-
1330 Summer School Tuition	-	-	-
1400 Transportation Fees	41,643	-	-
1500 Earning on Investments	2,451,399	2,040	641,754
1600 Food Service	-	2,355,226	-
1700 Extracurricular Activities	384,826	107,180	-
1910 Rentals	230,355	-	-
1920 Contributions & Donations	-	659,251	-
1960 Recovery of Prior year	12,224	-	-
1970 Pension Bonds	-	-	4,387,997
1980 Fees charged to grants	387,789	-	-
1990 Miscellaneous	707,888	147,101	-
Total Revenue from local sources	47,873,821	3,271,323	19,664,561
Revenue from intermediate sources:			
2101 County School Funds	415,746	-	-
2103 ESD	2,239,166	-	-
2180 Strategic Investment program-unrestricted	1,100,293	-	-
2200 Restricted Revenue	-	77,892	-
Total Revenue from Intermediate Sources	3,755,205	77,892	-
Revenue from state sources:			
3101 State school fund - general support	79,928,288	-	-
3102 State school fund - school lunch match	-	82,563	-
3103 Common School fund	866,123	-	-
3104 State managed county timber	949,961	-	-
3105 State school fund - transportation grant	4,214,812	-	-
3199 Other restricted grants-in-aid	-	-	-
3204 Driver education	-	-	-
3222 State school fund transportation equipment	-	600,892	-
3299 Other restricted grants-in-aid	-	185,808	-
Total Revenue from state sources	85,959,184	869,263	-
Revenue from federal sources:			
4300 Restricted Revenue from federal government	-	2,508,488	-
4500 Restricted Revenue from federal government through the state	-	12,428,368	-
4700 Restricted Revenue from federal government through intermediate sources	-	458,809	-
4899 Other revenue in lieu of taxes	-	-	14,449
4900 Revenue for/on behalf of the District	-	404,766	-
Total Revenue from federal sources	-	15,800,431	14,449
Revenue from other sources:			
5100 Bond Proceeds	-	-	-
5200 Interfund transfers	-	-	-
5300 Sale or compensation for loss of fixed assets	10,145	708,100	-
5400 Resources - beginning fund balance	20,432,581	3,913,181	7,874,000
Total Revenue from other sources	20,442,726	4,621,281	7,874,000
TOTAL REVENUES	\$ 158,030,936	\$ 24,640,190	\$ 27,553,010

Fund 400	Fund 600	Fund 700	Total
\$ -	\$ -	\$ -	\$ 58,167,230
-	-	-	107,598
-	-	-	18,204
-	-	-	-
-	-	-	41,643
5,099,675	-	-	8,194,868
-	-	-	2,355,226
-	-	-	492,006
-	-	-	230,355
-	-	-	659,251
-	-	-	12,224
-	-	-	4,387,997
-	-	-	387,789
82,691	-	1,000,000	1,937,680
5,182,366	-	1,000,000	76,992,071
-	-	-	415,746
-	-	-	2,239,166
-	-	-	1,100,293
-	-	-	77,892
-	-	-	3,833,097
-	-	-	79,928,288
-	-	-	82,563
-	-	-	866,123
-	-	-	949,961
-	-	-	4,214,812
-	-	-	-
-	-	-	-
-	-	-	600,892
-	-	-	185,808
-	-	-	86,828,447
-	-	-	2,508,488
-	-	-	-
-	-	-	12,428,368
-	-	-	-
-	-	-	458,809
-	-	-	14,449
-	-	-	404,766
-	-	-	15,814,880
179,965,240	-	-	179,965,240
-	750,000	-	750,000
-	-	-	718,245
8,357,714	750,000	401,133	41,728,609
188,322,954	1,500,000	401,133	223,162,094
\$ 193,505,320	\$ 1,500,000	\$ 1,401,133	\$ 406,630,589

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF GENERAL FUND EXPENDITURES**YEAR ENDED JUNE 30, 2007**

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>
EXPENDITURES:			
Instruction:			
1111 Primary programs	\$ 12,533,026	\$ 5,390,403	\$ 211,145
1112 Intermediate programs	9,627,625	4,094,856	155,688
1113 Elementary extracurricular	-	250,000	-
1121 Middle School programs	5,672,903	2,238,575	35,360
1122 Middle School extracurricular	41,463	7,648	149
1131 High School programs	12,022,077	4,695,598	163,294
1132 High School extracurricular	1,447,206	351,061	162,005
1210 Talented and Gifted	79,965	19,466	40,164
1220 Students with disabilities-restricted	3,679,050	1,984,453	334,190
1250 Students with disabilities - less restricted	5,965,203	3,115,750	10,638
1271 Remediation	-	-	-
1272 Title 1	-	-	-
1280 Alternative Education	617,127	250,726	768,283
1291 English Second Language program	3,746,830	1,854,536	89,649
1292 Teen Parent program	88,437	51,168	175
1293 Migrant Education	-	-	-
1294 Youth corrections program	30,670	11,816	-
1400 Summer school programs	-	102	-
Total Instruction	55,551,582	24,316,158	1,970,740
Support services:			
2110 Attendance and social work services	557,984	318,864	354,150
2120 Guidance Services	2,908,990	1,122,856	100,896
2130 Health Services	431,652	214,560	7,647
2140 Psychological services	270,305	98,510	92,601
2150 Speech pathology services	936,412	346,101	5,082
2160 Other student treatment services	-	-	162,390
2190 Service direction, student special education	16,777	2,413	35,699
2210 Improvement of Instructional services	65,314	23,323	7,111
2220 Educational media services	672,864	396,384	21,548
2230 Assessment and testing	7,935	1,317	15,423
2240 Instructional staff development	228,082	50,846	86,210
2310 Board of Education services	24,615	11,784	95,470
2320 Executive administration services	679,457	259,215	33,104
2410 Office of the principal services	6,694,039	2,842,441	147,026
2490 Other support services school administration	766,851	285,247	165,865
2510 Direction of business support services	431,659	169,788	91,987
2520 Fiscal services	500,172	259,131	21,065
2540 Operation and maintenance of plant	2,256,273	997,959	9,577,177
2550 Student transportation services	4,166,790	2,511,437	252,032
2570 Internal services	279,749	127,096	(164,460)
2620 Planning, research, and development	-	41	4,746
2630 Information/production services	284,512	101,939	95,248
2640 Staff services	402,268	515,582	109,798
2660 Technology services	1,339,923	556,568	1,228,734
2670 Records management services	-	-	17,763
2700 Supplemental retirement services	8,354	1,000,000	-
Total Support services	23,930,974	12,213,402	12,564,312
Enterprise Services			
3390 Other Community Services	93,837	38,399	1,205
Debt service			
5610 Principal	-	-	-
5620 Interest	-	-	-
Total Debt Service	-	-	-
TOTAL EXPENDITURES	\$ 79,576,393	\$ 36,567,959	\$ 14,536,257

Object 400	Object 500	Object 600	Total
\$ 361,634	\$ -	\$ -	\$ 18,496,208
371,800	-	-	14,249,969
-	-	-	250,000
256,695	-	61	8,203,594
215	-	-	49,475
624,217	5,608	11,808	17,522,602
132,850	10,666	26,322	2,130,110
9,997	-	-	149,592
83,554	-	20,119	6,101,366
64,884	-	-	9,156,475
439	-	-	439
-	-	-	-
58,569	-	903	1,695,608
60,419	-	-	5,751,434
1,020	-	23	140,823
-	-	-	-
-	-	-	42,486
-	-	-	102
<u>2,026,293</u>	<u>16,274</u>	<u>59,236</u>	<u>83,940,285</u>
32,459	-	150	1,263,607
17,333	-	5,690	4,155,765
9,340	-	621	663,820
9,191	-	-	470,607
8,128	-	470	1,296,193
265	-	-	162,655
25,724	-	15	80,628
19,920	-	30	115,698
166,717	-	134	1,257,647
74,209	-	2,777	101,661
21,301	-	413	386,852
19,352	-	208,149	359,370
19,049	-	2,765	993,590
228,023	-	9,944	9,921,473
70,932	-	718	1,289,613
19,284	-	8,667	721,385
11,653	-	1,463	793,484
840,572	99,382	500,788	14,272,151
819,515	187,781	103,997	8,041,552
223,286	-	-	465,671
-	-	-	4,787
10,250	-	113	492,062
18,061	-	3,568	1,049,277
921,770	52,705	7,953	4,107,653
11,876	-	59	29,698
-	-	-	1,008,354
<u>3,598,210</u>	<u>339,868</u>	<u>858,484</u>	<u>53,505,250</u>
	<u>1,354</u>		<u>134,795</u>
		275,821	275,821
		286,457	286,455
		562,278	562,276
<u>\$ 5,624,503</u>	<u>\$ 357,496</u>	<u>\$ 1,479,998</u>	<u>\$ 138,142,606</u>

HILLSBORO SCHOOL DISTRICT 1J
Washington County Oregon

SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES

YEAR ENDED JUNE 30, 2007

		<u>100</u>	<u>200</u>	<u>300</u>
EXPENDITURES:				
Instruction:				
1111	Primary programs	\$ 672,219	\$ 273,084	\$ 16,784
1112	Intermediate programs	2,917	404	10,577
1113	Elementary extracurricular	19,443	4,940	5,037
1121	Middle school programs	1,336	261	42,201
1122	Middle school extracurricular	-	-	1,500
1131	High school programs	117,666	42,532	28,663
1132	High school extracurricular	10,784	1,551	21,796
1140	Pre-kindergarten programs	171	36	155,035
1210	Talented and gifted program	-	-	245
1220	Students with disabilities - restrictive programs	692,217	278,438	31,431
1250	Students with disabilities - less restrictive programs	144,147	90,799	817
1260	Early intervention	52,314	10,039	166,221
1271	Remediation	39,869	21,310	5,825
1272	Title I	986,986	473,559	4,331
1279		508	358	10,641
1280	Alternative education	197,047	80,324	15,080
1291	English second language programs	177	39	-
1292	Teen parent program	24,345	16,434	616
1293	Migrant education	275,611	93,076	15,140
1299	Other programs	1,016	463	-
1400	Summer school programs	52,195	9,663	492
	Total instruction	3,290,968	1,397,310	532,432
Support services:				
2110	Attendance and social work services	288,166	124,284	701,293
2120	Guidance services	47,170	18,189	222
2130	Health services	-	-	2,319
2140	Psychological services	474,623	177,080	98,536
2150	Speech pathology and audiology services	151,720	72,845	-
2160	Student Treatment Center	149,536	69,760	876
2190	Service direction, student special education	261,085	102,570	39,645
2210	Improvement of instruction services	190,178	57,863	136,663
2220	Media services	681	207	35
2329	SS/HS Program Mangement	81,084	33,150	19,986
2240	Instructional Staff Development	901,078	262,715	204,879
2410	Office of the principal services	4,493	877	877
2520	Fiscal Services	19,632	9,202	-
2540	Operation and maintenance of plant	450	37	84,383
2550	Student transportation services	32,245	5,438	18,222
2610	Direction of central support services	633,389	227,280	3,388
2620	Planning, research and development services	-	-	195,777
2640	Recruitment and Placement	-	-	7,750
2660	Technology services	-	-	12,998
	Total support services	3,235,530	1,161,497	1,527,849
Enterprise and community services:				
3100	Food services	2,172,172	964,796	221,763
3300	Community services	49,963	12,250	552,480
	Total support services	2,222,135	977,046	774,243
	TOTAL EXPENDITURES	\$ 8,748,633	\$ 3,535,853	\$ 2,834,524

400	500	600	Total
\$ 181,806	\$ -	\$ -	\$ 1,143,893
55,652	-	-	69,550
20,978	-	-	50,398
15,521	-	-	59,319
9,744	-	-	11,244
135,993	-	1,853	326,707
41,583	3,020	5,237	83,971
-	-	-	155,242
-	-	-	245
3,571	-	14,304	1,019,961
20,889	-	-	256,652
2,242	-	-	230,816
3,426	-	11	70,441
42,724	-	163,948	1,671,548
2,694	-	-	14,201
75,624	-	14,347	382,422
89	-	-	305
1,135	-	-	42,530
-	-	26,949	410,776
22,315	-	-	23,794
1,660	-	-	64,010
<u>637,646</u>	<u>3,020</u>	<u>226,649</u>	<u>6,088,027</u>
82,642	-	11,299	1,207,684
18,533	6,579	3,084	93,777
-	-	-	2,319
11,714	-	-	761,953
-	-	-	224,565
144	-	-	220,316
14,189	-	-	417,489
53,016	-	14,531	452,251
45,970	-	-	46,893
4,114	-	57,265	195,599
77,803	-	82,286	1,528,761
16,461	-	200	22,908
-	-	-	28,834
50,996	646,547	10,457	792,870
527,120	-	-	583,025
3,846	-	2,015	869,918
6,950	-	-	202,727
-	-	-	7,750
62,001	-	-	74,999
<u>975,499</u>	<u>653,126</u>	<u>181,137</u>	<u>7,734,638</u>
2,876,972	90,179	951	6,326,831
33,798	-	-	648,491
<u>2,910,770</u>	<u>90,179</u>	<u>951</u>	<u>6,975,322</u>
<u>\$ 4,523,915</u>	<u>\$ 746,325</u>	<u>\$ 408,737</u>	<u>\$ 20,797,987</u>

(This page intentionally left blank)

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF DEBT SERVICE FUND EXPENDITURES

YEAR ENDED JUNE 30, 2007

	<u>Object</u>
EXPENDITURES:	600
Other uses:	
5100 Debt service	<u>\$ 20,979,968</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES

YEAR ENDED JUNE 30, 2007

	<u>Object 100</u>	<u>Object 200</u>	<u>Object 300</u>	<u>Object 400</u>
EXPENDITURES:				
Facilities acquisition and construction expenditures:				
1121 Intermediate Programs	\$ -	\$ -	\$ -	\$ -
1131 Secondary Programs	-	-	-	-
2660 Technology	-	-	448	-
4110 Service area direction	78,735	24,156	132,720	2,237
4120 Site Acquis & Dev Systems	480	90	-	-
4150 Building acquisition, construction, and improvement services	-	-	5,822,480	179,899
4190 Other facilities construction services - -	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 79,215</u>	<u>\$ 24,246</u>	<u>\$ 5,955,648</u>	<u>\$ 182,136</u>

<u>Object 500</u>	<u>Object 600</u>	<u>Object Total</u>
\$ -	\$ -	\$ -
-	-	-
19,931	-	20,379
-	-	237,848
4,063,528	-	4,064,098
-	-	-
4,983,301	268,826	11,254,506
-	-	-
<u>\$ 9,066,760</u>	<u>\$ 268,826</u>	<u>\$ 15,576,831</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

SCHEDULE OF FIDUCIARY FUND EXPENDITURES

YEAR ENDED JUNE 30, 2007

	Object
	600
	<hr/>
EXPENDITURES:	
Support services:	
2700 Supplemental retirement program	\$ 943,325
	<hr/> <hr/>

SUPPLEMENTAL INFORMATION, 2006-2007

School District Business Managers and Auditors:

This page is a required part of your annual audited financial statements. Please make sure it is included.

Parts A is needed for computing Oregon's full allocation for ESEA, Title I & other Federal Funds for Education.

A. Energy Bill for Heating - **All Funds:**

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

	Objects 325 & 326
Function 2540	\$ 3,468,863
Function 2550	\$ 19,556

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
 1140
 1300
 1400

Co-curricular Activities
 Pre-Kindergarten
 Continuing Education
 Summer School

Exclude these functions:

4150 Construction
 2550 Pupil Transportation
 3100 Food Service
 3300 Community Services

\$ 3,316

(This page intentionally left blank)

Statistical Section



*Rich
in tradition -
Focused
on excellence*

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

STATISTICAL SECTION TABLE OF CONTENTS

This part of Hillsboro School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial

<u>Contents</u>	<u>Page</u>
Financial Trends	65
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	72
These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	
Debt Capacity	78
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.	
Demographic and Economic Information	82
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	84
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.	

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 Six Fiscal Years

(accrual basis of accounting)

	<u>2006-07*</u>	<u>2005-06*</u>	<u>2004-05*</u>	<u>2003-04*</u>	<u>2002-03</u>	<u>2001-02</u>
Governmental activities:						
Invested in capital assets, net of related debt	\$ (97,336,636)	\$ 52,183,443	\$ 48,174,979	\$ 57,423,759	\$ 62,159,150	\$ 55,808,215
Restricted for Debt Service	6,573,042	6,745,522	7,003,798	6,477,663	7,040,368	6,242,523
Restricted for Capital Projects	177,928,489	8,357,714	-	-	-	-
Unrestricted	<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>	<u>11,104,701</u>
Total primary government net assets	<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>\$ 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 Six Fiscal Years
(accrual basis of accounting)

	2006-07*	2005-06*	2004-05*	2003-04*	2002-03*	2001-02*
Governmental activities:						
Expenditures						
Instruction	\$ 93,429,518	\$ 90,626,555	\$ 86,376,150	\$ 77,641,128	\$ 75,511,577	\$ 80,370,299
Support Services	63,574,639	57,239,269	55,864,621	48,175,450	48,605,835	54,608,786
Enterprise and Community Services	7,378,732	9,903,601	6,284,320	5,300,463	4,380,766	4,387,720
Facilities acquisition and construction	832,064	-	-	-	36,082	-
Interest on Long-Term Debt	11,593,839	11,798,269	3,720,541	7,701,343	8,067,120	9,450,508
Total Expenditures	<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>
Program Revenues						
Charges for Services:						
Instruction	1,070,606	2,126,428	4,143,996	3,093,549	2,835,269	3,428,885
Support Services	232,335	1,858,211	430,408	678,092	767,939	563,477
Enterprise and Community Services	2,355,750	2,177,939	3,700,700	2,052,807	1,830,026	1,938,031
Operating Grants and Contributions:						
Instruction	8,795,634	4,241,207	7,378,878	8,061,968	4,236,906	7,133,013
Support Services	3,036,287	3,725,767	4,715,506	9,647,884	7,359,007	7,291,436
Enterprise and Community Services	4,334,791	4,298,360	3,447,404	3,065,297	2,681,706	2,602,220
Capital Grants and Contributions:						
Support Services	527,800	404,634	348,305	365,000	341,855	291,482
Total Program Revenues	<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>
Net (Expenditures)	(156,455,589)	(150,735,148)	(128,080,435)	(111,853,787)	(116,548,672)	(125,568,769)
General Revenues						
Taxes:						
Property Taxes, Levied for General Purposes	43,741,370	42,262,685	40,522,887	39,118,206	38,971,982	36,377,811
Property Taxes, Levied for Debt Service	14,668,594	14,812,597	15,542,605	14,654,964	15,609,618	17,285,615
State School Fund - General Support	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
Miscellaneous	8,194,851	2,653,853	1,446,575	760,116	1,542,526	4,358,468
Total General Revenues	<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>
Change in Net Assets	<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 Nine Fiscal Years

(modified accrual basis of accounting)

	Fiscal years 2003-2007				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Fund Balances					
Reserved, Reported in:					
General Fund	\$ 212,532	\$ 201,031	\$ 238,850	\$ 245,271	\$ 219,748
Special Revenue Funds	819,653	835,817	882,780	182,812	170,099
Debt Service Fund	7,040,368	6,477,663	9,073,416	7,874,004	6,573,042
Capital Projects Funds	26,585,671	17,772,597	13,204,310	8,357,714	177,928,489
Unreserved, Reported in:					
General Fund	2,524,759	17,499,555	14,730,521	20,187,310	19,668,582
Special Revenue Funds	1,859,373	2,087,512	2,454,476	2,098,654	3,672,104
Debt Service Fund	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Total Fund Balances	<u>\$ 39,042,356</u>	<u>\$ 44,824,240</u>	<u>\$ 40,584,353</u>	<u>\$ 38,945,765</u>	<u>\$ 208,232,064</u>

	Fiscal years 1998-2002				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Fund Balances					
Reserved, Reported in:					
General Fund	\$ 128,340	\$ 199,645	\$ 176,756	\$ 296,001	\$ 380,954
Special Revenue Funds	405,388	105,903	11,773	135,095	849,730
Debt Service Fund	3,081,360	3,282,691	4,122,727	4,660,758	-
Capital Projects Funds	-	-	-	-	-
Unreserved, Reported in:					
General Fund	8,390,001	11,811,136	11,306,561	13,097,240	5,922,064
Special Revenue Funds	2,193,231	3,861,159	4,906,949	3,738,264	1,832,311
Debt Service Fund	-	-	-	-	6,654,606
Capital Projects Funds	3,755,326	36,962,621	12,958,220	99,882,168	57,237,750
Total Fund Balances	<u>\$ 14,338,558</u>	<u>\$ 52,634,916</u>	<u>\$ 29,171,730</u>	<u>\$ 116,717,672</u>	<u>\$ 72,877,415</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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues				
Property Taxes	29,847,095	31,644,468	36,440,590	40,010,958
Charges for services	-	-	-	-
Earnings on investments	-	-	-	-
Other	5,196,313	7,069,279	6,693,583	7,956,213
Intermediate Sources	1,232,288	1,623,729	1,806,905	2,201,857
State School Support	59,707,237	66,071,683	71,427,206	77,878,609
Federal	5,173,705	5,245,239	5,971,394	6,644,942
Other sources	6,431	1,101,289	431,564	
Total Revenues	<u>101,163,069</u>	<u>112,755,687</u>	<u>122,771,242</u>	<u>134,692,579</u>
Expenditures				
Current Operating				
Instruction	56,101,393	60,443,688	63,888,888	69,530,948
Support Services	37,291,765	41,134,135	43,596,552	49,313,496
Enterprise and community Services	-	9,472	3,787,168	4,002,641
Facilities Acquisition & Construction		-	-	-
Capital Outlay	2,696,717	4,991,851	33,485,200	13,810,929
Debt Service				
Principal	3,323,975	2,649,284	3,024,755	4,150,285
Other				
Payment to PERS	-	-	-	-
Interest	2,590,512	2,239,877	4,331,582	4,087,682
Total Expenditures	<u>102,004,362</u>	<u>111,468,307</u>	<u>152,114,145</u>	<u>144,895,981</u>
Excess (deficiency) of revenues over (under) expenditures	(841,293)	1,287,380	(29,342,903)	(10,203,402)
Other Financing Sources (Uses)				
Bond Proceeds	-	37,567,188	6,602,734	98,447,494
Operating Transfers In	180,000	-	250,000	-
Operating Transfers Out	(210,000)	(585,000)	(250,000)	-
Total other financing sources (uses)	<u>(30,000)</u>	<u>36,982,188</u>	<u>6,602,734</u>	<u>98,447,494</u>
Net change in fund balances	<u>(871,293)</u>	<u>38,269,568</u>	<u>(22,740,169)</u>	<u>88,244,092</u>
Debt Services as a percentage of noncapital expenditures	6.0%	4.6%	6.2%	6.3%

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
53,385,120	\$ 54,504,023	\$ 53,824,620	\$ 56,412,322	\$ 57,183,332	58,274,830
5,834,985	6,591,189	5,824,448	6,307,762	4,778,380	3,765,885
4,358,468	1,542,526	760,116	1,446,575	2,653,850	8,194,851
915,668	2,344,141	1,030,150	3,061,354	1,605,890	1,375,754
1,838,914	2,573,735	3,516,570	3,749,953	4,296,352	3,812,017
75,191,397	63,608,223	81,462,389	71,857,440	83,968,676	86,835,628
7,703,247	8,347,115	10,855,286	10,869,443	13,690,511	15,821,511
166,977	166,224	54,668	103,126,403	4,560,607	186,703,215
<u>149,394,776</u>	<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>
78,269,095	73,244,826	74,367,389	81,088,557	87,151,646	90,028,309
52,846,551	46,761,142	46,467,506	52,451,074	55,044,467	61,260,267
4,273,007	4,249,262	5,075,963	5,900,323	6,294,588	7,110,119
5,440,942	3,074,184	4,430,025	567,389	1,680,430	-
42,189,507	30,258,195	5,265,037	4,349,203	3,025,190	15,556,452
6,030,606	7,686,108	8,066,526	10,196,483	9,168,251	10,020,821
-	-	-	100,780,385	-	38,196
-	-	-	-	-	-
9,819,855	8,238,518	7,873,920	5,737,725	12,011,614	11,483,228
<u>198,869,563</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>
(49,474,787)	(33,835,059)	5,781,881	(4,239,887)	(1,638,588)	169,286,299
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(49,474,787)</u>	<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>
10.1%	11.1%	10.9%	45.5%	12.4%	12.0%

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
1998	5,986,571,698	72,602,021	358,171,169	169,857,216
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

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>
6,587,202,104	5,033,000,834	5.77	29,040,415	1,408,062	30,448,477
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

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last 10 Fiscal Years

Rate per \$1,000 of assessed value

DIRECT:	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Hillsboro School District	6.5240	6.5831	6.7059	6.6651
Prior School District Bonds				
Hillsboro	0.0793	0.0793	0.1292	0.1278
Reedville	0.2268	0.2556	0.3327	0.2985
Farmington View	-	0.3408	0.3636	0.3627
North Plains	0.2706	0.0253	0.3187	0.2944
OVERLAPPING GOVERNMENTS:				
Washington County	2.4494	2.8390	2.8734	2.9149
Enhanced Sheriff Patrol	1.1120	1.1300	1.1424	1.0291
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	2.6385	3.1563	3.2361
City of Cornelius	4.1698	3.9836	4.3098	4.5828
Cornelius RFD	1.4820	1.5307	1.5631	1.9667
RFFD#2	1.1219	1.1219	1.1219	1.1219
Tualatin Valley Fire and Rescue	1.8194	1.7752	1.8259	1.8206
Gaston RFPD	1.5121	1.5121	1.0921	1.3060
Banks RFPD	2.0220	1.7031	1.4110	1.6621
Forest Grove RFPD	1.4390	1.2766	1.4361	1.4568
Metro Service District	0.2782	0.0000	0.2838	0.2835
Tri-Met	0.0973	0.1191	0.1104	0.1239
Tualatin Hills Park and Recreation	1.4425	1.4505	1.4551	1.4617
Wolf Creek Water	-	0.0000	0.0000	0.1486
Urban Renewal - H	-	0.0000	0.0000	0.0000
Metro Zoo	0.0966	0.0966	0.2838	0.0000
Urban Renewal - H	-	0.0000	0.0000	0.0000
Northwest Regional ESD	0.1538	0.1538	0.1538	0.1538
Portland Community College	0.4889	0.2828	0.5099	0.4944
Rainbow Lane Road	0.4888	0.4888	0.4888	0.4888

Source: The Washington County Department of Assessment and Taxation.

<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>
6.7942	5.9434	6.1437	5.5914	5.5914	5.5914
0.1257	0.1407	0.1710	0.2548	0.2548	0.2548
0.2828	0.2999	0.3461	0.3448	0.3448	0.3448
0.3812	0.3907	0.4593	0.4288	0.4288	0.4288
0.2890	0.3292	0.3723	0.3801	0.3801	0.3801
2.9149	2.5277	2.5425	2.5637	2.5637	2.5637
1.0291	1.0797	1.0506	1.0392	1.0392	1.0392
0.2456	0.2456	0.2456	0.2456	0.2456	0.2456
0.0701	0.0737	0.0753	0.0780	0.0780	0.0780
4.7665	4.7665	4.8230	3.7304	3.7304	3.7304
3.2361	2.6902	2.7071	2.8590	2.8590	2.8590
4.5828	4.6836	4.7373	4.3820	4.3820	4.3820
1.9667	1.9550	2.1146	1.1943	1.1943	1.1943
1.1219	1.2976	1.2941	1.1479	1.1479	1.1479
1.8206	1.5869	1.5563	1.5250	1.5250	1.5250
1.3060	1.0921	1.0736	1.0733	1.0733	1.0733
1.6621	1.5504	1.5428	1.0767	1.0767	1.0767
1.4568	1.4591	1.4626	1.4594	1.4594	1.4594
0.2835	0.3401	0.3282	0.3642	0.3642	0.3642
0.1239	0.1345	0.1428	0.1526	0.1526	0.1526
1.4617	1.4898	1.5575	1.5252	1.5252	1.5252
0.1486	0.1647	0.1537	0.2413	0.2413	0.2413
0.0000	0.0000	0.0000	0.8245	0.8245	0.8245
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.8245	0.8245	0.8245
0.1538	0.1538	0.1538	0.1538	0.1538	0.1538
0.4944	0.3717	0.3600	0.3515	0.3515	0.3515
0.4888	0.4888	0.4880	0.4888	0.4888	0.4888

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

PRINCIPAL PROPERTY TAX PAYERS FOR WASHINGTON COUNTY

Current Year and Nine Years Ago

Taxing District - School District

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ten Largest Taxpayers						
Intel Corporation	1,043,164,799	1	11.39%	791,844,960	1	12.02%
Verizon Northwest, Inc.	352,920,852	2	3.85%			
Nike, Inc	333,402,234	3	3.64%			
Portland General Electric	317,363,394	4	3.47%	64,059,092	2	0.97%
Northwest Natural Gas Co.	262,931,030	5	2.87%	33,807,462	6	0.51%
Pacific Realty Associates	245,937,009	6	2.69%			
Maxim Integrated Products	152,395,039	7	1.66%			
Tektronix Inc	135,416,474	8	1.48%			
ERP Operating Systems	108,787,770	9	1.19%			
Novellus Systems	105,490,595	10	1.15%			
Sumitoto Bank and Leasing				52,455,200	3	0.80%
Integrated Device Technology				50,544,800	4	0.77%
GTE Northwest				48,165,147	5	0.75%
Tokyo Electron Oregon				32,478,980	7	0.49%
NEC America				26,603,980	8	0.49%
Tansabourne Ltd Partners				26,603,980	9	0.40%
Bay 607 Corp				23,848,750	10	0.36%
Subtotal of Ten Largest Taxpayers	3,057,809,196		33.00%	1,150,412,351		13.50%
All Other Taxpayers	6,098,537,043		77.00%	5,431,327,773		86.50%
Total All Taxpayers	\$ 9,156,346,239		100.00%	6,587,202,104		100.00%

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

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
1998	30,467,520	29,827,702	97.90%	578,147	30,405,849	99.80%
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%

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

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

Fiscal Year	General Bonded Debt		Net General Obligation Bonds Outstanding	Percentage of Actual Taxable Value of Property	General Bonded Debt Per	Total Net Assessed Valuation	Average Daily Membership
	General Obligation Bonds	Less Amount Available for Repayment					
1998	44,555,000	3,081,360	41,473,640	0.82	466	5,033,000,834	15,642
1999	79,210,000	3,282,691	75,927,309	1.36	808	5,591,257,557	16,317
2000	76,190,000	4,122,727	72,067,273	1.21	728	5,935,686,735	16,723
2001	170,675,000	4,660,758	166,014,242	2.39	1,612	6,942,553,084	17,283
2002	164,865,000	6,654,606	158,210,394	2.12	1,507	7,480,035,078	17,705
2003	157,405,000	7,040,368	150,364,632	1.84	1,405	8,185,621,736	17,860
2004	149,580,000	6,477,663	143,102,337	1.74	1,313	8,244,000,065	18,054
2005	141,108,416	9,073,416	132,035,000	1.56	1,188	8,482,960,603	22,544
2006	136,906,004	7,874,004	129,032,000	1.46	1,000	8,842,271,844	22,909
2007	292,276,897	8,228,924	284,047,973	3.10	1,000	9,156,346,239	23,044

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

(This page intentionally left blank)

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Debt Limit	523,682,567	639,408,658	681,343,542	739,461,954	907,998,515
Total net debt applicable to limit	<u>44,555,000</u>	<u>79,210,000</u>	<u>76,190,000</u>	<u>170,675,000</u>	<u>164,865,000</u>
Legal debt margin	<u>479,127,567</u>	<u>560,198,658</u>	<u>605,153,542</u>	<u>568,786,954</u>	<u>743,133,515</u>
Total net debt applicable to the limit as a percentage of debt limit	8.51%	12.39%	11.18%	23.08%	18.16%

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

For each grade from kindergarten to eighth for which the District operates schools, fifty-five one-hundredths of one percent (.0055) of the real market value.

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

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

Source: District Financial Statements

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
972,600,495	\$ 1,234,684,230	\$ 1,243,730,043	\$ 1,247,560,967	\$ 1,399,071,619
<u>157,405,000</u>	<u>149,580,000</u>	<u>248,025,005</u>	<u>231,880,000</u>	<u>391,061,712</u>
<u>815,195,495</u>	<u>\$ 1,085,104,230</u>	<u>\$ 995,705,038</u>	<u>\$ 1,015,680,967</u>	<u>\$ 1,008,009,907</u>
16.18%	12.11%	19.94%	18.59%	27.95%

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>
1998	83,000	2,326,656	28,032	3.9%
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%

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
2007**

	<u>2007</u>		
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Ten Largest Employers			
Intel Corp.	16,740	1	16.79%
Precision Castparts	15,384	2	15.43%
Providence Health System	14,639	3	14.69%
Oregon Health & Science University	11,500	4	11.54%
Fred Meyer Stores	8,500	5	8.53%
Kaiser Permanente	8,221	6	8.25%
Legacy Health Systems	8,196	7	8.22%
Nike	7,648	8	7.67%
Wells Fargo	4,873	9	4.89%
Greenbrier Cos. Inc	3,972	10	3.99%
Subtotal of Ten Largest Employers	<u>99,673</u>		<u>0.10</u>
All Other Employers	<u>932,927</u>		<u>0.90</u>
Total Portland PMSA2 Employment	<u><u>1,032,600</u></u>		<u><u>100.00%</u></u>

² Portland PMSA includes Clackamas,

³ As of June 2006, most recent data available

Source: Portland Business Alliance, Book of Lists published for 2005 & 1996

HILLSBORO SCHOOL DISTRICT 1J

Washington County Oregon

**CERTIFIED, CLASSIFIED AND ADMINISTRATIVE EMPLOYEES
LAST NINE 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	1044	1060	68	2172

(1) Full-time equivalent (FTE) positions

Note:

Information for fiscal years prior to 1999 are not available in detail. Over time, 10 fiscal years of data will be presented.

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>
1998	15,642	32%	5,985	17
1999	16,317	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	17,860	35%	6,606	21
2004	18,054	38%	6,656	18
2005	18,990	39%	7,189	19
2006	19,302	40%	7,170	18
2007	19,669	36%	7,499	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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Brookwood Elementary (1953)	43,041	558	566	558	566
Imlay Elementary (2002)	69,435	655	659	655	654
Butternut Creek Elementary (1977)	34,840	442	439	442	456
Patterson Elementary (2000)	69,435	677	654	677	642
Orenco Elementary (2000)	69,435	594	594	552	567
Indian Hills Elementary (1979)	40,219	399	407	369	382
Reedville Elementary (1922)	16,247	356	366	360	388
David Hill Elementary (1943)	27,828	332	337	321	311
Eastwood Elementary (1978)	49,163	505	505	534	557
Farmington View Elementary (1950)	22,867	226	226	248	269
Jackson Elementary (1990)	50,767	656	656	632	612
L.C. Tobias Elementary (1992)	50,000	563	563	577	567
Groner Elementary (1949)	32,402	206	206	191	212
Lenox Elementary (1949)	51,074	440	440	439	395
McKinney Elementary (1970)	49,163	533	533	509	503
Minter Bridge Elementary (1980)	49,163	362	362	406	401
North Plains Elementary (54)	49,496	310	543	504	513
Moobery Elementary (1963)	49,496	543	310	333	351
Peter Boscow Elementary (1912)	67,752	388	388	388	392
Ladd Acres Elementary (1968)	60,825	603	603	612	592
W.L. Henry Elementary (1968)	52,813	616	616	592	546
West Union Elementary (1948)	42,757	349	349	358	300
Former Witch Hazel	Demolished	489	-	-	-
Witch Hazel Elementary (2003)	69,435	489	489	431	401
Brown Middle School (1963)	95,414	875	875	892	903
Evergreen Middle School (1981)	120,000	788	778	774	794
Thomas Middle School (1928)	215,000	544	544	550	503
Poynter Middle School (1959)	83,200	723	713	760	764
Miller Ed Junior High	0	20	16	15	16
Century High School (1997)	265,000	1,493	1,493	1,460	1,587
Glencoe High School (1980)	240,000	1,444	1,442	1,464	1,516
Liberty High School (2003)	288,897	1,269	1,269	1,171	847
Hilhi High School (1969)	253,652	1,478	1,478	1,444	1,438
Miller Ed High School (1958)	20,552	67	69	79	81

Enrollment

<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</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 IJ

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	20	33,904	MA	7	20	45,077
BA	3	13	35,260	MA	8	24	46,880
BA	4	11	36,671	MA	9	15	48,755
BA	5	5	38,138	MA	10	5	50,705
BA	6	7	39,663	MA	11	8	52,733
BA	7	12	41,250	MA	12	11	54,843
BA	8	7	42,900	MA	13	14	57,036
BA	9	5	44,616	MA	14	25	59,318
BA	10	6	46,400	MA	15	72	61,691
BA	11	22	48,256	MA	16	0	64,158
BA	12	4	50,187	MA	17	1	66,724
BA	13	4	52,411	MA+24	2	0	38,160
BA+24	2	1	34,922	MA+24	3	2	39,686
BA+24	3	3	36,319	MA+24	4	2	41,274
BA+24	4	3	37,771	MA+24	5	6	42,925
BA+24	5	9	39,282	MA+24	6	5	44,642
BA+24	6	10	40,854	MA+24	7	2	46,427
BA+24	7	2	42,488	MA+24	8	2	48,285
BA+24	8	2	44,187	MA+24	9	5	50,216
BA+24	9	2	45,955	MA+24	10	4	52,225
BA+24	10	6	47,793	MA+24	11	3	54,314
BA+24	11	16	49,705	MA+24	12	11	56,486
BA+24	12	1	51,693	MA+24	13	50	58,746
BA+24	13	2	53,985	MA+24	14	0	61,095
BA+45	2	3	35,969	MA+24	15	3	63,539
BA+45	3	2	37,407	MA+24	16	2	66,081
BA+45	4	2	38,904	MA+24	17	2	68,724
BA+45	5	2	40,460	MA+45	2	2	39,305
BA+45	6	1	42,078	MA+45	3	2	40,877
BA+45	7	2	43,761	MA+45	4	6	42,512
BA+45	8	2	45,512	MA+45	5	6	44,212
BA+45	9	1	47,332	MA+45	6	6	47,820
BA+45	10	5	49,225	MA+45	7	5	49,733
BA+45	11	2	51,195	MA+45	8	2	51,722
BA+45	12	5	53,242	MA+45	9	3	53,791
BA+45	13	3	55,372	MA+45	10	14	55,973
BA+45	14	5	57,587	MA+45	11	20	58,181
BA+14	15	2	89,890	MA+45	12	25	60,508
BA+15	16	1	62,286	MA+45	13	30	62,928
MA	2	48	37,050	MA+45	14	15	65,445
MA	3	14	38,532	MA+45	15	20	68,063
MA	4	12	40,073	MA+45	16	20	70,785
MA	5	36	41,676				
MA	6	19	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

September 14, 2007

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, 2007, and have issued our report thereon dated September 14, 2007. 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 entity's 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 entity's 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 entity'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*.

We noted certain matter that we reported to management of Hillsboro School District 1J in a separate letter dated September 14, 2007.

This report is intended solely for the information and use of management, the Board, and others within the entity, 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

September 14, 2007

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, 2007. 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, 2007.

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 an entity's 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 entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. 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 the entity's internal control.

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

This report is intended solely for the information and use of management, *the Board*, others within the entity, 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.

Grant Compliance Review



*Rich
in tradition -
Focused
on excellence*

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2007

Federal Grantor, Program Title	Federal CFDA Number	Agency or Pass-through Number	Program Period	Revenue	Expenditures	Fund
U.S. DEPARTMENT OF EDUCATION:						
Passed through Oregon State Department of Education:						
Title 1 Grants to Local Educational Agencies	84010	4694	2005-06	375,180	375,180	208
	84010	7241	2006-07	2,960,868	2,960,868	208
				<u>\$ 3,336,048</u>	<u>3,336,048</u>	
Migrant Education - Basic State Grant	84011	3861	2005-06	326,468	326,468	203
Title 1C	84011	6783	2006-07	\$ -	\$ -	203
	84.011	4695	2005-06	150,620	150,620	212
	84011	8708	2006-07	414,306	414,306	212
Title 1C Preschool	84011	5452	2005-06	2,105	2,105	213
	84011	8708	2006-07	81,975	81,975	213
				<u>\$ 975,473</u>	<u>975,473</u>	
Special Education - Grants to States	84.027A	6069	2005-06	1,515,099	1,515,099	231
IDEA - Part B	84.027A	8163	2006-07	1,086,326	1,086,326	231
SPR&I - Phase 2	84.027A	7952	2006-07	7,455	7,455	196
				<u>\$ 2,608,880</u>	<u>2,608,880</u>	
Perkins Comprehensive Guide & Couns.	84.048	6670	2005-06	-	-	207
Perkins Comprehensive Guide & Couns.	84.048	9167	2006-07	1,572	1,572	207
Perkins Comprehensive Basic	84.048	4700	2005-06	41,662	41,662	222
Perkins Comprehensive Basic	84.048	7063	2006-07	119,414	119,414	222
				<u>\$ 162,649</u>	<u>162,649</u>	
Passed through Oregon Department of Human Services						
Vocational Rehabilitation Services - Youth Transition	84.126A	113776	2005-06	-	-	198
	84126A	113776-1	2006-07	60,764	60,764	198
				<u>60,764</u>	<u>60,764</u>	
Safe and Drug-Free School and Communities State Grants - Title IV	84.186	6353	2005-06	77,849	77,849	201
	84.186	8571	2006-07	17,772	17,772	201
				<u>95,622</u>	<u>95,622</u>	
Education for Homeless Children and Youth - Title X	84.196	6572	2005-06	\$ 21,793	21,793	242
	84.196	6961	2006-07	48,269	48,269	242
				<u>70,062</u>	<u>70,062</u>	
Innovative Education - Title V	84.298	4699	2005-06	34,095	34,095	220
	84.298	8372	2006-07	39,947	39,947	220
				<u>\$ 74,041</u>	<u>74,041</u>	
Enhancing Ed through Technology - Title II-D	84.318	4697	2005-06	40,784	40,784	209
	84.318	7948	2006-07	55,532	55,532	209
				<u>\$ 96,316</u>	<u>96,316</u>	
Reading First Implementation Grants	84.357	6486	2005-06	70,782	70,782	210
Reading First-Competitive	84.357	8732	2006-07	398,679	398,679	210
Reading First Cohort B	84.357	4434	2005-06	81,630	81,630	251
Reading First Cohort B	84.357	n/a	2006-07	-	-	251
Reading First Cohort B - ELL	84.357	5964	2005-06	58,697	58,697	253
Reading First Cohort B - ELL	84.357	n/a	2006-07	-	-	253
	84.357	9056	2006-07	1,607	1,607	162
Statewide Literacy Outreach K-3	84.357	8780	2006-07	3,130	3,130	162
				<u>614,525</u>	<u>614,525</u>	
English Language Acquisition Grants	84.365	3880	2005-06	90,795	90,795	218
	84.365	9002	2006-07	205,529	205,529	218
				<u>\$ 296,324</u>	<u>296,324</u>	

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2007

Teacher Quality State Grants - Title II-A	84.367A	3089	2005-06	324,580	324,580	221
	84.367A	4696	2006-07	360,418	360,418	221
				<u>684,998</u>	<u>684,998</u>	
Safe Schools/Healthy Students PASS grant	84.184L	Q184L050110	2005-06	1,445,003	1,445,003	232
	84.184L	Q184L050110	2006-07	1,063,484	1,063,484	232
				<u>2,508,488</u>	<u>2,508,488</u>	
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>\$ 11,584,189</u>	<u>11,584,189</u>	
U.S. DEPARTMENT OF AGRICULTURE:						
Passed through Oregon State Department of Education:						
Food Donations	10.550	N/A	2006-07	\$ 805,666	805,666	500
Nutrition Cluster:						
School Breakfast Program	10.553	N/A	2006-07	\$ 23,684	23,684	500
National School Lunch Program	10.555	N/A	2006-07	2,860,754	2,860,754	500
				<u>3,690,103</u>	<u>3,690,103</u>	500
Child and Adult Care Food Program	10.558	N/A	2006-07	\$ 18,481	18,481	510
Summer Food Service Program for Children	10.559	3408001	2005-06	10,739	10,739	217
	10.559	3408001	2006-07	81,311	81,311	217
				<u>\$ 92,049</u>	<u>92,049</u>	
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>\$ 3,800,633</u>	<u>3,800,633</u>	
U.S. DEPARTMENT OF LABOR:						
Passed through Work Systems, Inc.						
Workforce Investment Act - Youth Activities	17.259	05-70402	2005-06	\$ 41,255	41,255	246
	17.259	06-70402	2006-07	315,840	315,840	246
				<u>\$ 357,095</u>	<u>357,095</u>	
TOTAL U.S. DEPARTMENT OF LABOR				<u>\$ 357,095</u>	<u>357,095</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:						
Passed through Oregon Department of Education						
Refugee and Entrant Assistance	93.576	n/a	2005-06	42	42	214
Refugee and Entrant Assistance	93.576	n/a	2006-07	-	-	214
Hurricane Relief	84.938	6681	2005-06	17,523	17,523	159
Hurricane Relief	84.938	6681	2006-07	-	-	
Discretionary Grants				<u>\$ 17,565</u>	<u>17,565</u>	
Passed through Oregon State Department of Human Resources:						
Child Care and Development Block Grant	93.575	CCD05-5055	2005-06	9,308	9,308	244
	93.575	CCD06-5055	2006-07	14,217	14,217	244
	93.575	CCD05-5054	2005-06	-	-	245
	93.575	CCD06-5054	2006-07	15,723	15,723	245
	93.575	CCD06-5110	2006-07	1,702	1,702	158
				<u>\$ 40,948</u>	<u>40,948</u>	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>\$ 58,514</u>	<u>58,514</u>	
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 15,800,431</u>	<u>15,800,431</u>	

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, 2007

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, 2007:

Title I – CFDA #84.010
IDEA – CFDA # 84.027A
Reading First – CFDA #84.357

DOLLAR THRESHOLD FOR DISTINGUISHING BETWEEN TYPE A AND B PROGRAMS:

\$474,013

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.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

September 14, 2007

2006-2007 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, 2007, and have issued our report thereon dated September 14, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2007, 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

2006-2007 AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

A *control deficiency* in an entity's 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 entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance to be significant deficiencies.

We noted a matter 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, which are noted in our management letter dated September 14, 2007.

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.

2006-07 and 2007-08 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, 2007 except as noted on page 30.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

2006-2007 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 2006-2007, 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, 2007, 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 2006-2007.

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.

OUTSTANDING WARRANTS

There were no outstanding endorsed warrants at June 30, 2007.

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, 2007.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

2006-2007 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, 2007.

STATE HIGHWAY

There were no programs funded from state highway funds during the year ended June 30, 2007.

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

(This page intentionally left blank)