

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2011



HILLSBORO
SCHOOL
DISTRICT

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the Fiscal Year Ended June 30, 2011

*Prepared by the
Business Office staff*

Adam Stewart, Chief Financial Officer

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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

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Washington County, Oregon

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December 19, 2011

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

In accordance with the provisions of Oregon Revised Statutes, Sections 297.405 to 297.555 and 297.990, known as the Municipal Audit Law, there is submitted herewith the Comprehensive Annual Financial Report of Hillsboro School District 1J, Washington County, Oregon, for the year ended June 30, 2011.

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

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

As management, we assert that, to the best of our knowledge and belief, this financial report and its data is complete and reliable in all material respects, includes all funds, account groups, and financial transactions, and is presented fairly to disclose the financial position, results of operations, and cash flows of the District at June 30, 2011, and for the year then ended.

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

THE DISTRICT

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

The District, a fiscally independent entity, is organized with a seven-member elected Board of Directors and a Board-appointed budget committee. In 2010-11 the management staff consisted of 1 superintendent, 3 assistant superintendents, five executive directors, 4 directors, 1 chief financial officer, 1 chief technology officer, 35 principals, and 12 assistant principals. The District also employs 1,102 teachers and 889 support staff that include instructional assistants, secretaries, clerks, bus drivers, cooks, custodians, maintenance workers, and various other professional and technical staff. The District operates 25 elementary schools, 4 middle schools, 4 high schools, and 2 alternative schools.

The District is located approximately 18 miles west of Portland, Oregon. It includes the city of Hillsboro, the city of North Plains, a portion of the city of Cornelius, and surrounding unincorporated areas. The current estimated population is 125,609. Almost all of the more than 200 square miles encompassed in the District are located in Washington County. Small portions of the District are located in Multnomah and Yamhill Counties.

The District has experienced steady enrollment growth over the past ten years. The table below shows that the number of students in the District has grown by 2,111 or an average of approximately 1.2 percent per year during the last decade.

School Year	Average Daily Membership
2010-11	19,816
2009-10	19,787
2008-09	19,530
2007-08	19,122
2006-07	18,997
2005-06	18,711
2004-05	18,437
2003-04	18,079
2002-03	18,070
2001-02	17,705

During this time, the District has had two major additions to its facilities. Series 2001 general obligation bonds financed the construction of two elementary schools and one high school, land purchased for future school facilities, and safety, security, and seismic upgrades to existing District facilities. The 2006 general obligation bonds financed the construction of four elementary schools and one middle school, as well as expanding and remodeling existing District facilities.

ECONOMIC STATUS AND OUTLOOK

On November 6, 1990, Oregon voters passed by initiative petition a constitutional property tax limitation measure known as Ballot Measure 5. Under the terms of Ballot Measure 5, property taxes for school districts, community colleges, and educational service districts were limited to a combined total of \$15.00 per \$1,000 of market value in 1991-92. In 1992-93 through 1995-96, the maximum tax rate increased \$2.50 per \$1,000 each year to the current maximum rate of \$5.00 per \$1,000 of market value. The maximum property tax rate for all other governmental entities is limited to a combined total of \$10.00 per \$1,000 of market value, and does not decrease.

The Oregon legislature appropriated funds to replace property tax revenue lost by educational entities through the 1999-2001 biennium. There is no requirement for the legislature to replace property tax revenues lost by other entities.

On November 5, 1996, Oregon voters passed by initiative petition another constitutional property tax limitation measure known as Ballot Measure 47. The measure created a third constitutional limit on property tax levies. Under this

ballot measure, property taxes for 1997-98 on each individual property were reduced to the lower of the 1994-95 tax or the 1995-96 tax less 10 percent. The measure required the 1997 state legislature to implement the constitutional limitation and give priority to public safety and education in the allocation of revenues.

On May 20, 1997, Oregon voters passed Ballot Measure 50 to modify Ballot Measure 47. Ballot Measure 50 was referred to voters by the legislature and clarified Ballot Measure 47, fixed drafting errors, and established a method of computing a “permanent” tax rate for school districts. The permanent tax rate for the Hillsboro School District was established at \$4.9749 per thousand of assessed value.

Ballot Measure 50 reduced the amount of operating property tax revenues available to the District for its 1997-98 fiscal year and thereafter. The measure required a 17 percent overall statewide reduction in operating tax levies in 2003-04. The actual reduction per taxing district varied according to certain exemptions and special provisions of the measure and its implementing legislation. The actual reduction in Hillsboro School District’s assessed value was 10.2 percent. Taxes levied to support bonded debt are exempted from the reductions. The measure also set restrictive voter approval requirements for most tax increases, many fee increases, new bond issues, and required the state of Oregon to minimize the impact to school districts of the tax cuts. The state of Oregon, in its 1997 legislative session, provided additional state revenues for the 1997-1999 biennium to help alleviate the impact on school operations, and has continued to do so for the subsequent bienniums. The ultimate impact to the District as a result of this measure has been greater reliance on state funding, and less reliance on local funding.

LONG-TERM FINANCIAL PLANNING

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

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

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

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

MISSION STATEMENT AND PRIORITIES

In the spring of 2006, the Hillsboro community, schools, District staff, and the Board of Directors developed a five-year Strategic Plan, which is the District's blueprint for educational excellence. The four strategies were:

- 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 2010-11 year, the focus of the entire District was to maintain financial stability within the District while refocusing staffing and resources to promote increased student achievement. This objective included protecting the integrity of the District's programs against financial uncertainties while adequately addressing the student population growth within the District. Oregon's school finance system involves a formula that pays for the average daily enrollment of students in various categories. The formula includes local property taxes and state payments as the principle sources of revenue. The state of Oregon depends on personal income tax to provide its share of this revenue. The Oregon legislature originally appropriated \$6.0 billion for K-12 allocations for the 2009-2011 biennium, a decrease of approximately 3.9 percent over the 2005-2007 biennium. However, due to lower than anticipated tax collections at the state level, the appropriation for K-12 funding for the 2009-2011 biennium is currently \$5.7 billion.

FINANCIAL INFORMATION

Accounting Policies:

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property tax revenue and proceeds from sale of property are not considered available and, therefore, are not recognized until received.

Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and interfund transactions and certain compensated absences and claims and judgments, which are recognized as expenditures because they will be liquidated with expendable financial resources.

The assets and liabilities of the agency funds are recorded on the modified accrual basis of accounting. The agency funds consist of the student body accounts controlled by each school and the Deferred Compensation Plan controlled by the District.

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

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

Internal Accounting Controls:

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

The management system recognizes the significance of internal controls that are incorporated in the accounting system. We believe that the internal accounting

controls adequately safeguard the assets and provide reasonable assurance of proper recording of all financial transactions.

Budgetary Control:

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

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

Risk Management:

To date, the District has elected to sell all risk other than that represented by minimal deductible amounts per loss. Workers' Compensation insurance is typically procured on a retrospectively rated basis so that total insurance cost is ultimately in direct proportion to losses. Property/Casualty insurance is currently in force at replacement value with a \$10,000 per loss deductible. Comprehensive, general, and automotive liability insurance provides \$1,000,000 basic coverage. Errors and Omissions coverage (sometimes called Difference in Conditions coverage) is in force for \$500,000. Excess coverage over the Basic and DIC coverage is in force at \$9,500,000.

Independent Audit:

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

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting

to Hillsboro School District 1J for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the sixteenth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a school district must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



Michael Scott
Superintendent of Schools



Adam D. Stewart
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Hillsboro School District 1J
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



President

Executive Director

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

OFFICIALS OF THE DISTRICT

JUNE 30, 2011

BOARD OF DIRECTORS

<u>Name</u>	<u>Term Expires</u>
Carolyn Ortman, Chair 1180 SE Tamango Street Hillsboro, Oregon 97123	June 30, 2013
John Peterson, Vice Chair 3156 NE 11 th Court Hillsboro, Oregon 97124	June 30, 2011
Adriana Cañas 1250 NE Estelle Court Hillsboro, Oregon 97124	June 30, 2011
Rebecca Lantz 6845 NW Roy Road Cornelius, Oregon, 97113	June 30, 2013
Monte Akers 3035 E Main Street Hillsboro, Oregon 97123	June 30, 2013
Hugh O'Donnell 208 S.E. 59 th Lane Hillsboro, Oregon 97123	June 30, 2011
Janeen Sollman 306 NE 64 th Court Hillsboro, Oregon 97124	June 30, 2013

DISTRICT ADMINISTRATION

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

DISTRICT ADDRESS

3083 NE 49th Place
Hillsboro, Oregon 97124

**HILLSBORO SCHOOL DISTRICT IJ
ORGANIZATIONAL CHART
2010-11**

CITIZENS

BOARD OF DIRECTORS

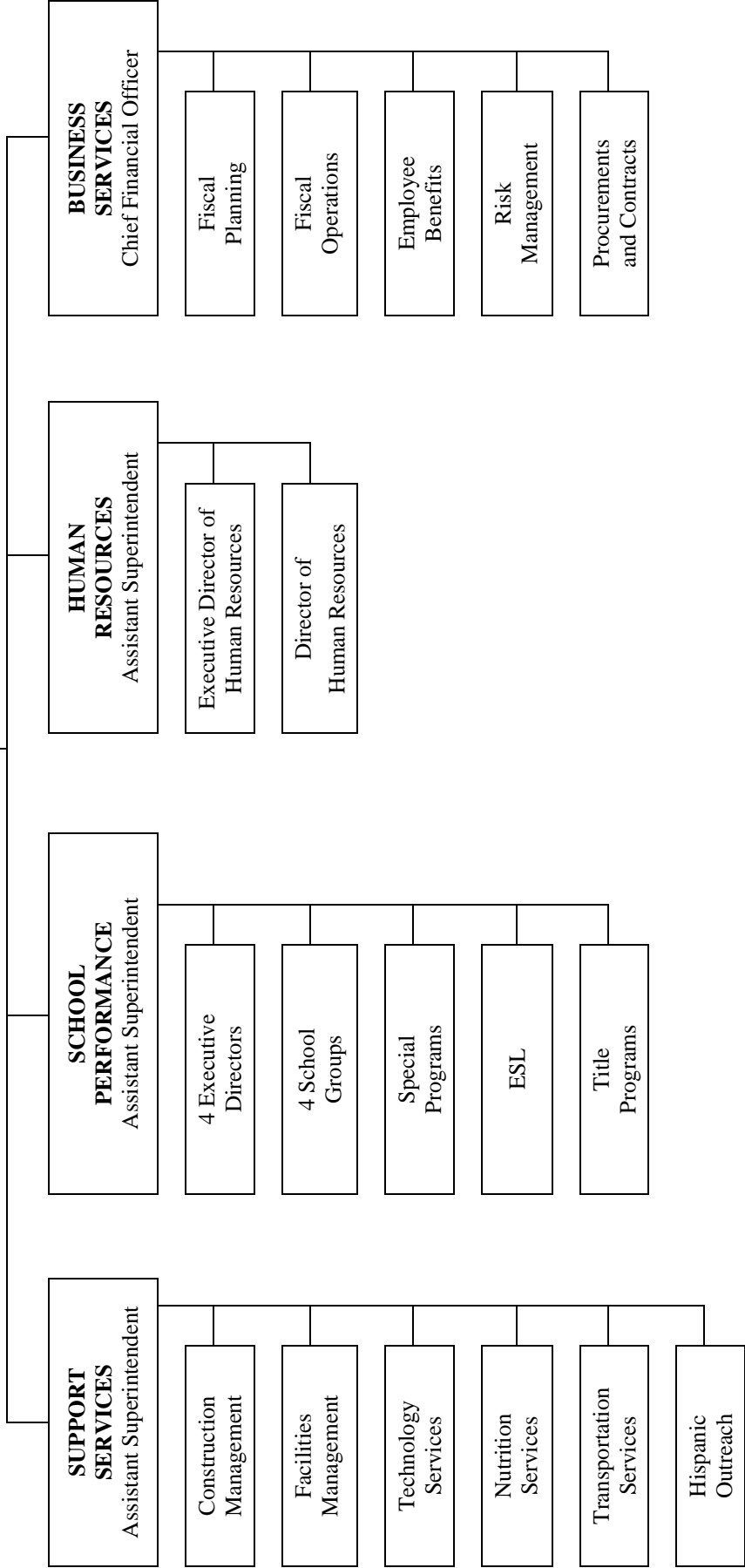
SUPERINTENDENT

Policy: CC

Regulation: CC-AR

Revised: 04/10

COMMUNICATIONS
Coordinator



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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

December 19, 2011

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the remaining fund information of Hillsboro School District No. 1J, Washington County, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component unit - City View Charter School - were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, the discretely presented component unit, and the remaining fund information of the Hillsboro School District No. 1J, Washington County, Oregon, at June 30, 2011, and the results of its operations and respective budgetary comparison of the General Fund and Special Revenue Fund for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 19, 2011, on our consideration of internal control over financial reporting and our tests of 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 Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management about this supplementary information. However, we did not audit the information and do not express an opinion on it.

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

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

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

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

As management of Hillsboro School District 1J (the District), we offer the District readers this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Transmittal Letter, which can be found on page i of this report.

FINANCIAL HIGHLIGHTS (REVIEW)

- ❖ In the government-wide statements, the assets exceeded the liabilities of the District by \$49.6 million. Of this amount, \$43.3 million represents the District's investment in capital assets, \$2.3 million is restricted for special programs, \$3.3 million for debt service, \$20.3 million for Capital projects, and the (\$19.6) million balance is unrestricted and available to meet the District's ongoing obligations to citizens and creditors.
- ❖ For the fiscal year ended June 30, 2011, the District's total current and other assets decreased by \$17.2 million. This decrease is primarily due to the expenditure of approximately \$10 million of General Fund cash and investments.
- ❖ In addition, this marks the third year that the Hillsboro School District has been required to show Other Postemployment Benefits (OPEB) and Net Pension obligations on its financial statements. An actuarial study conducted by Independent Actuaries, Inc. projected the Actuarial Accrued Liability for OPEB to be \$2,944,760 and the net pension asset to be \$18,787 as of June 30, 2011.
- ❖ The District's governmental funds show a combined ending fund balance of \$43.8 million, a reduction of \$4.5 million in comparison with the prior year. The reduction is attributable to the use of general fund reserves to balance the 2010-11 budget. At the end of the fiscal year, the unassigned fund balance for the general fund was \$10.7 million or about 6.7 percent of total general fund expenditures. This was a decrease of approximately \$7.0 million from the previous year.
- ❖ The District's total long-term debt decreased by \$13.5 million during the 2010-11 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2011

of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements include:

- ❖ **The Statement of Net Assets.** The Statement of Net Assets presents information on all of the assets and liabilities of the District at year end. Net assets are what remain after the liabilities have been recognized as expenses. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- ❖ **The Statement of Activities.** The Statement of Activities presents information showing how the net assets of the District changed over the year by tracking revenues, expenses, and other transactions that increase or reduce net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes.)

In the government-wide financial statements, the District's activities are shown in one category:

- ❖ **Governmental Activities.** Most of the District's basic functions are shown here, such as regular and special education, child nutrition services, transportation, administration, and facilities acquisition and construction. These activities are primarily financed through property taxes, Oregon's State School Fund, bond proceeds, and other intergovernmental revenues.

The government-wide financial statements can be found on pages 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 the fiduciary fund.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2011

- ❖ **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.

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

The 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 25-49 of this report.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2011

Other information. Schedules presenting detailed budgetary information for individual funds and other supplemental information can be found on pages 52-58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$49.6 million at June 30, 2011.

Capital assets, which consist of the District's land, buildings, building improvements, construction in progress, vehicles, and equipment, represent about 64.7 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 (93.6 percent) is for the repayment of general obligation and pension bonds. Current liabilities, representing about 9.2 percent of the District's total liabilities, consist almost entirely of payables on accounts, salaries and benefits, and the current portion of long-term debt.

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2011

Hillsboro School District 1J			
Net Assets			
(in thousands)			
	Government Activities		Increase
	2011	2010	(Decrease)
			from
			Fiscal 2010
Current and other assets	\$ 144,172	\$ 154,336	\$ (10,164)
Capital assets	263,852	270,889	(7,037)
Total assets	408,024	425,225	(17,201)
Current liabilities	12,937	13,185	(248)
Long-term debt outstanding	345,497	358,978	(13,481)
Total liabilities	358,435	372,163	(13,728)
Net assets:			
Invested in capital assets, net of related debt	43,280	44,713	(1,433)
Restricted	25,889	27,365	(1,476)
Unrestricted	(19,579)	(19,016)	(563)
Total net assets	\$ 49,590	\$ 53,062	\$ (3,472)

During the current fiscal year, the District's net assets decreased by \$3.5 million. The District's Net Assets, Restricted, decreased by \$1.5 million due to the expenditure of general fund reserves.

Governmental activities. The key elements of the change in the District's net assets for the year ended June 30, 2011, are as follows:

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**FOR THE YEAR ENDED JUNE 30, 2011**

Hillsboro School District 1J			
Changes in Net Assets			
(in thousands)			
	<u>Governmental Activities</u>		Increase (Decrease) from Fiscal 2010
	2011	2010	
Revenues:			
Program revenues:			
Charges for services	\$ 6,377	\$ 6,489	\$ (113)
Operating grants and contributions	30,623	20,121	10,502
Capital grants and contributions	97	81	16
General revenues:			
Property taxes	79,464	76,188	3,276
State school fund - general support	91,151	101,052	(9,901)
Earnings on investments	388	786	(398)
Gain on sale of capital assets	950	-	950
Miscellaneous	2,087	11,438	(9,351)
Total revenues	<u>211,135</u>	<u>216,155</u>	<u>(5,970)</u>
Expenses:			
Instruction	115,345	113,084	2,261
Support Services	75,113	72,722	2,391
Enterprise and community services	8,110	8,780	(670)
Interest on long-term debt	16,560	17,242	(682)
Total Expenses	<u>215,128</u>	<u>211,828</u>	<u>3,300</u>
Increase in net assets	(3,993)	4,326	(8,319)
Net assets - July 1	53,062	49,761	3,301
Prior Period Adjustment	521	(1,025)	1,546
Net assets - June 30	<u>\$ 49,590</u>	<u>\$ 53,062</u>	<u>\$ (3,472)</u>

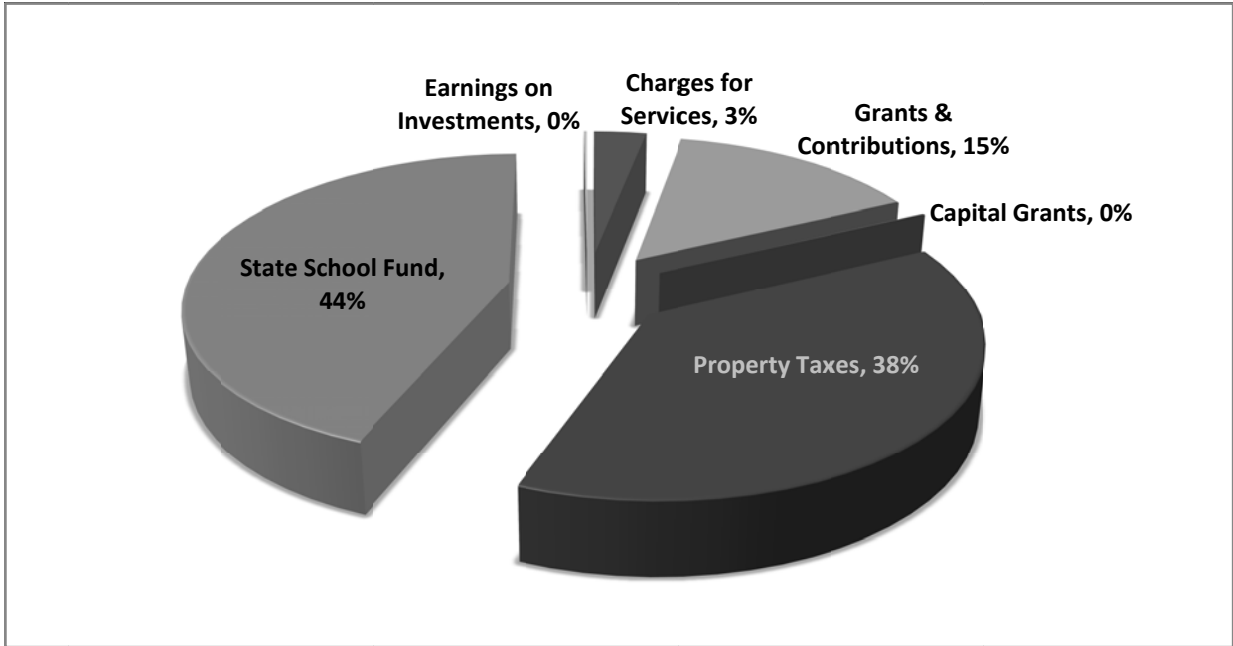
HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2011

REVENUE BY SOURCE – GOVERNMENTAL ACTIVITIES



- ❖ State School Fund revenue was down \$9.9 million, a reduction of 9.8 percent from 2009-10, which is a result of the deteriorating economy.
- ❖ Investment earnings decreased by \$.4 million, reflecting a significant decrease in interest rates and fewer Capital Improvement funds to invest.
- ❖ Property Tax collections increased by \$3.3 million, a result of increasing requirements in the Debt Service Fund.

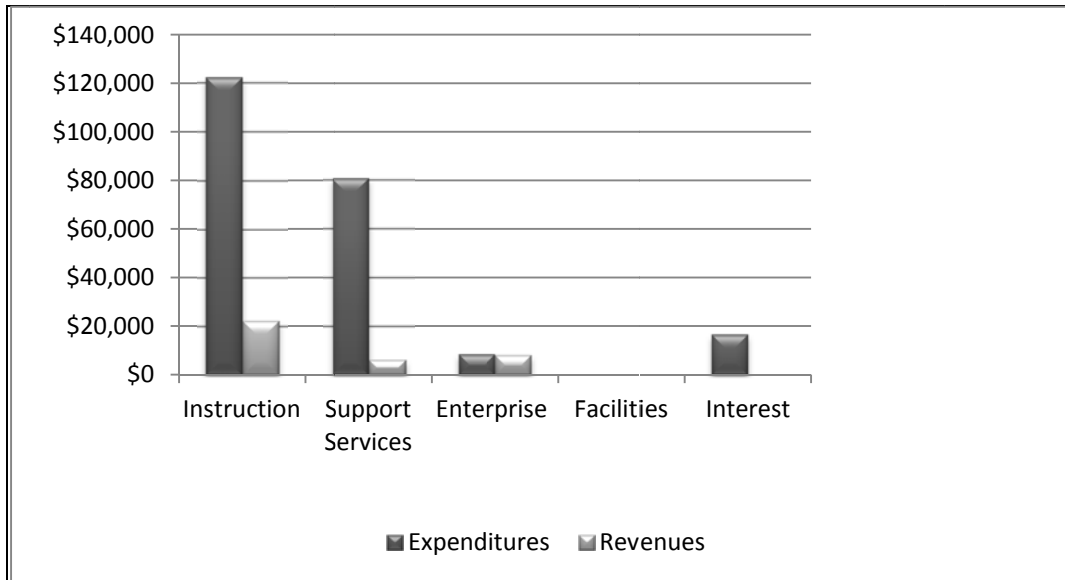
HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2011

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At June 30, 2011, the District's governmental funds reported combined ending fund balances of \$43.8 million, a decrease of \$4.5 million in comparison with the prior year. About \$9.9 million (22.7 percent) of the ending fund balance constitutes unassigned ending fund balance, which is available for spending at the government's discretion. About 46.4 percent of fund balance (\$20.3 million) is restricted for capital projects. An additional \$3.3 million is restricted for debt service obligations.

- ❖ General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2011, unassigned fund balance was \$10.7 million. As a measure of

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

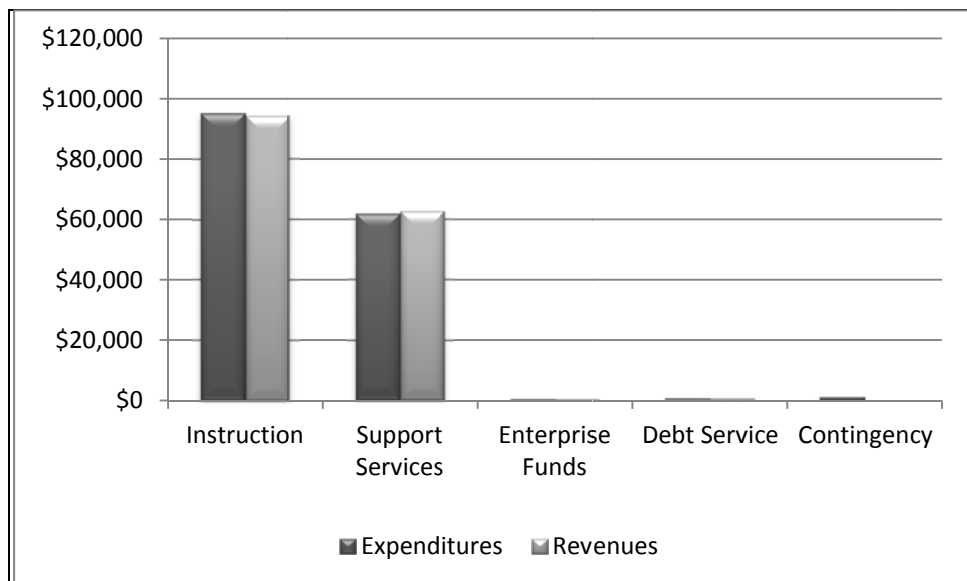
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2011

the fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 9.8 percent of total General Fund expenditures. The fund balance decreased by \$2.4 million during the current fiscal year. This decrease was due primarily to a decrease in State Funding revenue.

- ❖ Special Revenue Fund. At June 30, 2011, the fund balance was \$5.1 million, which is an increase of \$2.1 million from the prior year.
- ❖ Debt Service Fund. The Debt Service Fund has a total fund balance of \$3.3 million, all of which is restricted for the payment of debt service. This represents a net decrease in fund balance from the prior year of approximately \$0.3 million. The \$3.3 million level of carryover is adequate to address Debt Service requirements until property taxes are received in November.
- ❖ Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$19.9 million, all of which is restricted for ongoing district capital project and maintenance. This represents a net decrease in fund balance during the year of approximately \$3.8 million. The decrease is reflective of planned expenditures spent on construction projects that occurred during the year.

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



HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2011

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund adopted budget for the fiscal year ended June 30, 2011, was decreased by \$6.1 million during the fiscal year. The decrease was due to a reduction in state funding following the adoption of the budget. During the year expenditures were about \$1.2 million less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets includes land, buildings and improvements, vehicles and equipment, and construction in progress. As of June 30, 2011, the District had invested over \$263.9 million in capital assets, net of depreciation, as shown in the following table:

Hillsboro School District 1J			
Capital Assets			
(in thousands)			
			Increase
			(Decrease)
Governmental Activities			from
2011	2010		Fiscal 2010
	Restated		
Land	\$ 30,534	\$ 30,719	\$ -185
Buildings and improvements	221,619	226,512	-4,893
Vehicles and equipment	11,699	12,679	-980
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 263,852	\$ 269,910	\$ -6,058

During the year, the District's investment in capital assets decreased by \$6 million. This reduction is partially due to a Prior Year Adjustment necessitated by an overstatement of capital assets in prior years.

Additional information regarding the District's capital assets can be found on page 37 of this report.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2011

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$345 million, consisting of general obligation bonds, certificate of participation notes, post retirement obligations, and PERS pension bonds net of unamortized premium/discount.

Hillsboro School District 1J Outstanding Debt (in thousands)			
	Governmental activities		Increase/ Decrease from Fiscal 2010
	2011	2010	
General obligation bonds	\$ 234,112	\$ 250,617	\$ (16,505)
Certificates of participation	6,538	4,799	1,739
Termination Benefits	1,383	-	1,383
PERS pension bonds	100,520	101,600	(1,080)
Postretirement obligations	2,945	1,962	983
TOTAL	\$ 345,497	\$ 358,978	\$ (13,481)

During the current fiscal year, the District incurred additional long term debt of certificates of participation for bus leases.

The District maintains an "Aa3" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a school district may issue to 7.95 percent of its total assessed valuation. The current debt limit for the District is \$1.5 billion, which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 6 on page 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant economic factor for the District is the stability of the funding level from the state of Oregon's State School Fund. For the year ended June 30, 2011, the State School Fund – General Support provided 51.3 percent of the District's program resources. The state is funded almost entirely by income tax revenue, and therefore the volatility of the economy directly impacts funding for K-12 education.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FOR THE YEAR ENDED JUNE 30, 2011

During the 2010-11 school year, the District was forced to reduce its budget by \$6.1 million. These reductions were accomplished by reducing reserves, reducing supply budgets, reducing staff, and reducing the number of days in the school year.

Reforms to the Public Employees Retirement System (PERS) resulted in a large unfunded liability which was transferred to districts in the form of higher employer rates. In an effort to curtail the escalating cost, the District participated in the purchase of pension bonds that spread the liability through 2028 and increased the long-term debt of the District. The employer rate was reduced from 17.6 percent to 12.8 percent for Tier 1 & 2 employees and resulted in a \$3.3 million savings to the general operational budget in 2008-09. The employer rate was reduced from 19.9 percent to 15.1 percent for OPSRP employees and resulted in a \$1.4 million savings to the general operational budget in 2008-09. The pension bonds allowed the District to reduce its PERS obligation by a total of \$4.7 million during the 2008-09 school year. The District has established a PERS Reserve Fund, which currently has a balance of \$4.5 million. The PERS Reserve Fund was rolled into the General Fund for GASB #54 purposes. In July 2011, the District experienced an increase in its PERS rates from 11.3 percent of payroll to 18.6 percent of payroll, an increase of approximately \$7.0 million for the 2011-12 school year.

The licensed contract with the Hillsboro Education Association (HEA) expired on June 30, 2009. The District and HEA signed a one-year Memorandum of Understanding for the 2009-10 school year, extending the existing contract through June 30, 2010. A contract was ultimately agreed to in September 2011, for a three-year contract (2009-2012); this contract includes a re-opener for salaries and benefits for year 3. A one-year contract extension was signed with the Hillsboro Classified United (HCU) to extend their contract through June 30, 2012. It is important to note that both HEA and HCU have been willing to partner with the District during the budgeting process for the 2009-10, 2010-11, and 2011-12 school years, and made significant concessions to help mitigate the impact of the loss in state funding.

The enrollment for 2010-11 increased by 30 students over 2009-10.

REQUESTS FOR INFORMATION

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

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

STATEMENT OF NET ASSETS**AT JUNE 30, 2011**

	Governmental Activities	Component Unit
ASSETS:		
Cash and investments	\$ 45,573,703	\$ 111,690
Receivables	12,032,586	1,000
Supply inventory	300,725	-
Prepaid PERS unfunded liability	85,663,323	-
Bond issuance costs, net of accumulated amortization	11,250	-
Prepaid expenses	572,074	5,200
Net pension asset	18,787	-
Capital assets:		
Not being depreciated	30,534,008	-
Being depreciated, net of accumulated depreciation	233,317,971	14,540
Total assets	\$ 408,024,427	\$ 132,430
LIABILITIES:		
Accounts payable	\$ 1,350,215	\$ 1,602
Accrued payroll, payroll taxes and employee withholdings	10,236,151	13,794
Accrued interest payable	627,110	-
Construction retainage	165,316	-
Unearned revenue	178,460	1,244
Accrued compensated absences payable	380,093	-
Long-term debt:		
Due within one year	19,876,013	-
Due in more than one year	325,621,409	-
Total liabilities	\$ 358,434,768	\$ 16,640
NET ASSETS:		
Invested in capital assets, net of related debt	43,279,660	14,540
Restricted for special programs	2,285,638	-
Restricted for debt service	3,306,895	-
Restricted for capital projects	20,296,746	-
Unrestricted	(19,579,279)	101,250
TOTAL NET ASSETS	\$ 49,589,659	\$ 115,790

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

FUNCTION	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	COMPONENT UNIT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
Instruction	\$ 115,345,118	\$ 4,409,514	\$ 17,996,465	\$ -	\$ (92,939,139)	\$ (592,721)
Support services	75,113,377	227,538	6,136,063	-	(68,749,775)	(182,746)
Community services	8,109,778	1,739,507	6,490,380	96,590	216,699	-
Unallocated depreciation	-	-	-	-	-	(14,481)
Interest on long-term debt	16,560,348	-	-	-	(16,560,348)	-
TOTAL GOVERNMENT ACTIVITIES	\$ 215,128,620	\$ 6,376,560	\$ 30,622,908	\$ 96,590	(178,032,562)	(789,948)
GENERAL REVENUES:						
Property taxes levied for general purposes					51,832,676	-
Property taxes levied for debt service					27,630,949	-
State School Fund - general support					91,150,843	856,282
Earning on Investments					387,598	-
Gain on sale of capital assets					950,007	
Miscellaneous					2,086,912	6,311
TOTAL GENERAL REVENUES					174,038,984	862,593
CHANGE IN NET ASSETS					(3,993,578)	72,645
NET ASSETS, July 1, 2010					53,062,112	43,145
PRIOR PERIOD ADJUSTMENT					521,125	-
NET ASSETS, JUNE 30, 2011					\$ 49,589,659	\$ 115,790

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

FUND FINANCIAL STATEMENTS

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

BALANCE SHEET**GOVERNMENTAL FUNDS****AT JUNE 30, 2011**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS					
Cash and investments	\$ 21,028,947	\$ 1,447,403	\$ 3,019,777	\$ 20,077,576	\$ 45,573,703
Receivables	7,348,554	3,437,647	1,237,638	8,747	12,032,586
Inventory	46,437	254,288	-	-	300,725
Prepaid items	221,972	350,102	-	-	572,074
TOTAL ASSETS	\$ 28,645,910	\$ 5,489,441	\$ 4,257,415	\$ 20,086,322	\$ 58,479,088
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 1,153,378	\$ 196,797	\$ -	\$ 40	\$ 1,350,215
Accrued payroll, payroll taxes and employee withholdings	10,236,151	-	-	-	10,236,151
Construction retainage	6,856	-	-	158,461	165,316
Deferred revenue	1,826,250	-	950,520	-	2,776,770
Unearned revenue	-	178,460	-	-	178,460
TOTAL LIABILITIES	13,222,634	375,257	950,520	158,501	14,706,912
FUND BALANCES:					
Nonspendable					
Inventory	46,437	254,288	-	-	300,725
Prepaid items	221,972	350,102	-	-	572,074
Restricted for:					
Special Programs	-	2,285,638	-	-	2,285,638
Debt Services	-	-	3,306,895	-	3,306,895
Capital Projects	-	-	-	20,296,746	20,296,746
Assigned for:					
Special Programs	-	2,582,631	-	-	2,582,631
PERS Reserve	4,500,000	-	-	-	4,500,000
Unassigned	10,654,867	(358,476)	-	(368,925)	9,927,466
TOTAL FUND BALANCES	15,423,275	5,114,184	3,306,895	19,927,821	43,772,176
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,645,910	\$ 5,489,441	\$ 4,257,415	\$ 20,086,322	\$ 58,479,088

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

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

AT JUNE 30, 2011

TOTAL FUND BALANCES		\$ 43,772,176
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Capital assets	\$ 386,082,454	
Accumulated depreciator	<u>(122,230,475)</u>	
		263,851,979
A portion of the District's revenues are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		2,776,770
The District sold pension bonds to prepay a long-term unfunded liability for current expenditures, therefore, it is not reported in the governmental funds.		85,663,323
The unamortized portion of issuance costs is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		11,250
Net pension asset		18,787
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	\$ (627,110)	
Bonds payable (net of premium and discount)	(234,111,712)	
Certificates of participation payable	(6,538,184)	
Early retirement plan liability	(1,382,768)	
Net OPEB obligation	(2,944,760)	
PERS pension ponds payable	(100,520,000)	
Accrued compensated absences payable	<u>(380,093)</u>	
		<u>(346,504,626)</u>
TOTAL NET ASSETS		<u>\$ 49,589,659</u>

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS****FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:					
Local sources:					
Property taxes	\$ 51,964,493	\$ -	\$ 27,699,405	\$ -	\$ 79,663,898
Charges for services	556,763	7,605,224	-	-	8,161,987
Earnings on investments	159,942	1,549	59,008	167,099	387,598
Other	1,634,384	-	5,861,382	-	7,495,766
Intermediate sources	1,162,674	96,590	-	119,024	1,378,287
State sources	91,150,843	1,227,623	-	-	92,378,467
Federal sources	6,719,703	20,847,287	-	-	27,566,990
Total Revenues	153,348,803	29,778,273	33,619,794	286,123	217,032,993
EXPENDITURES:					
Current:					
Instruction	94,423,600	12,551,847	-	-	106,975,447
Support services	62,578,653	7,084,346	-	-	69,662,999
Enterprise Services	370,707	7,150,609	-	-	7,521,316
Facilities and acquisition	-	-	-	2,378,353	2,378,353
Capital outlay	147,001	3,268,858	-	3,489,881	6,905,741
Debt service:					
Other	-	-	400	-	400
Principal	355,000	-	17,585,000	-	17,940,000
Interest	172,150	-	16,382,221	-	16,554,371
Total Expenditures	158,047,112	30,055,660	33,967,621	5,868,234	227,938,627
Excess (deficiency) of revenues over expenditures and net	(4,698,309)	(277,387)	(347,826)	(5,582,111)	(10,905,634)
Other financing sources, (Uses):					
Transfers in	700,000	-	-	-	700,000
Other financing sources - capital leases	-	2,372,318	-	-	2,372,318
Sale or compensation for loss of fixed asset	5,182	-	-	1,799,438	1,804,620
Total Other Financing Sources, (Uses)	705,182	2,372,318	-	1,799,438	4,876,938
NET CHANGE IN FUND BALANCE	(3,993,127)	2,094,931	(347,826)	(3,782,673)	(6,028,696)
FUND BALANCES,					
July 1, 2010	17,916,403	3,019,254	3,654,721	23,710,495	48,300,872
Prior Period Adjustment	1,500,000	-	-	-	1,500,000
FUND BALANCES, June 30, 2011	\$ 15,423,275	\$ 5,114,184	\$ 3,306,895	\$ 19,927,821	\$ 43,772,176

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

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

FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGES IN FUND BALANCES \$ (6,028,696)

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	\$	3,132,769	
Depreciation		(8,336,692)	
Loss on Disposal of capital assets		<u>(854,613)</u>	
			(6,058,536)

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

Amortization of issuance costs			(96,482)
Amortization of prepaid pension costs			(5,039,019)

Governmental funds do not accrue interest payable, but are accrued in the
government-wide statements. (5,977)

Change in net pension asset (39,322)

Change in net OPEB obligation (982,247)

Change in termination benefits liability (1,382,768)

Repayment of principal on long-term debt and post retirement obligations
is an expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets. Additions to bond principal and post retirement
obligations are an expense for the Statement of Net Assets but not the
governmental funds. 15,846,082

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. (230,882)

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. 24,269

CHANGE IN NET ASSETS \$ (3,993,578)

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Property taxes	\$ 50,675,293	\$ 50,672,060	\$ 51,964,493	\$ 1,292,433
Charges for services	425,000	475,000	556,763	81,763
Earnings on investments	550,000	550,000	159,942	(390,058)
Other	725,000	725,000	1,634,384	909,384
Intermediate sources	2,750,000	2,750,000	1,162,674	(1,587,326)
State sources	97,252,559	90,394,849	91,150,843	755,994
Federal sources	6,343,541	6,343,541	6,719,703	376,162
Total Revenues	158,721,393	151,910,450	153,348,803	1,438,353
EXPENDITURES:				
Instruction	97,103,855	95,324,112 (1)	94,423,600	900,512
Support services	64,869,197	61,937,997 (1)	62,725,655	(787,658)
Enterprise Funds	321,191	321,191 (1)	370,707	(49,516)
Debt Service	527,150	527,150 (1)	527,150	-
Contingency	2,500,000	1,100,000 (1)	-	1,100,000
Total Expenditures	165,321,393	159,210,450	158,047,112	1,163,338
Excess (deficiency) of revenues over expenditures and net change in fund balance	(6,600,000)	(7,300,000)	(4,698,309)	2,601,691
Other financing sources, (Uses)				
Transfers in	-	700,000	700,000	-
Transfers out	(3,000,000)	(3,000,000) (1)	(3,000,000)	-
Sale or compensation for loss of fixed asset	-	-	5,182	5,182
Total other financing sources, (uses)	(3,000,000)	(2,300,000)	(2,294,818)	5,182
NET CHANGE IN FUND BALANCE	(9,600,000)	(9,600,000)	(6,993,127)	2,606,873
FUND BALANCES, July 1, 2010	17,500,000	17,500,000	17,916,403	416,403
FUND BALANCES, June 30, 2011	\$ 7,900,000	\$ 7,900,000	\$ 10,923,275	\$ 3,023,275

(1) Appropriation Level

Reconciliation to Governmental Fund Balance as required by GASB #54

Ending Fund Balance:

PERS Reserve Fund (2) 4,500,000

\$ 15,423,275

(2) The PERS Reserve Fund is not presented in the Supplementary Information section as it was not budgeted for and does not have any expenditures.

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SPECIAL REVENUE FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Charges for services	\$ 8,394,611	\$ 9,054,745	\$ 7,605,224	\$ (1,449,521)
Earnings on investments	4,000	4,000	1,549	(2,451)
Intermediate sources	103,217	114,117	96,590	(17,527)
State sources	1,224,649	1,480,384	1,227,623	(252,761)
Federal sources	18,522,825	21,978,573	20,847,287	(1,131,285)
Total Revenues	28,249,302	32,631,819	29,778,273	(2,853,545)
EXPENDITURES:				
Instruction	13,578,689	15,523,845 (1)	12,551,847	2,971,998
Support services	7,714,360	11,177,343 (1)	10,276,293	901,050
Enterprise and community services	7,762,239	7,802,873 (1)	7,177,520	625,353
Capital Outlay	-	- (1)	50,000	(50,000)
Total Expenditures	29,055,288	34,504,061	30,055,660	4,448,400
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE	(805,986)	(1,872,242)	(277,387)	1,594,855
OTHER FINANCING SOURCES, (USES)				
Capital Leases	-	-	2,372,318	2,372,318
Total Other Financing Sources, (Uses)	-	-	2,372,318	2,372,318
NET CHANGE IN FUND BALANCE	(805,986)	(1,872,242)	2,094,931	3,967,173
FUND BALANCES, July 1, 2010	1,870,291	2,936,547	3,019,254	82,707
FUND BALANCES, June 30, 2011	\$ 1,064,305	\$ 1,064,305	\$ 5,114,184	\$ 4,049,879

(1) Appropriation Level

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

STATEMENT OF FIDUCIARY FUND NET ASSETS

JUNE 30, 2011

	Pension Trust Fund
ASSETS:	
Cash	\$ 164,768
Prepaid expense	385
Total Assets	<u>\$ 165,153</u>
NET ASSETS:	
Held in trust for postemployment benefits	<u>\$ 165,153</u>

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Pension Trust Fund
ADDITION:	
Transfer from other Funds	<u>\$ -</u>
DEDUCTION:	
Postemployment benefits	84,951
Transfer out	<u>700,000</u>
INCREASE/DECREASE IN NET ASSETS	(784,951)
NET ASSETS - held in trust for postemployment benefits - July 1, 2010	<u>950,104</u>
NET ASSETS - held in trust for postemployment benefits - June 30, 2011	<u><u>\$ 165,153</u></u>

The accompanying notes are an integral part of this statement.

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hillsboro School District 1J (the District) was formed on July 1, 1996, with the merger of seven school districts. The District is a municipal corporation, organized under ORS 337, and governed by an elected seven-member Board of Directors (Board) which approves the administrative officials. The daily functioning of the District is under the supervision of the Superintendent-Clerk. As required by generally accepted accounting principles, all activities of the District have been included in the basic financial statements.

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

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

Basis of Presentation

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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function/program. Direct expenses are those that are specifically associated with a function/program and, therefore, are clearly identifiable to that function/program. The District does not allocate indirect expenses. Program revenues include: (1) charges to students or others for tuition, fees, rentals, materials, supplies, or services provided, (2) operating grants and contributions, and (3) capital grants and contributions. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

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

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

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

The District reports the following major funds:

- ❖ General Fund. This fund is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.
- ❖ Special Revenue Fund. This fund accounts for revenues and expenditures of grants restricted for particular educational projects. Principal revenue sources are federal and state grants.
- ❖ Debt Service Fund. This fund provides for the payment of principal and interest on general obligation bonded debt. The principal revenue source is property taxes.
- ❖ Capital Projects Fund. This fund accounts for activities related to the acquisition, construction, equipping, and furnishing of facilities. Principal revenue sources are proceeds from the sale of bonds received in prior years and interest earnings.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The District also reports the following types of fund:

- ❖ 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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments (which are generally liquidated by the General Fund), and are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds, and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Use of Estimates

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

Cash, Cash Equivalents, and Investments

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

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

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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

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

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

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

FOR THE YEAR ENDED JUNE 30, 2011

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 \$380,093. Compensated leave balances carryover beyond the current year if unused.

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

Long-term Debt

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

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

Fund Equity

In March 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

classifications that comprise a hierarchy primarily based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- ❖ Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- ❖ Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- ❖ Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- ❖ Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The Superintendent and Chief Financial Officer have been granted the authority to assign fund balances.
- ❖ Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

unrestricted (committed, assigned, or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable), and unassigned.

There were no committed fund balances at June 30, 2011.

Stewardship, Compliance, and Accountability

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

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

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

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

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

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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stewardship, Compliance, and Accountability (Continued)

Expenditures of the various funds were within authorized appropriations except the General Fund, Support Services were over-expended by \$787,658; General Fund, Enterprise Funds were over-expended by \$49,516; Special Revenue, Capital Outlay by \$50,000; and Debt Service Fund, Debt Service was over-expended by \$400.

Budget/GAAP Reporting Differences

Financial position, results of operations, and changes in fund balance/net assets are reported on the basis of accounting principles generally accepted in the United States of America (GAAP). The budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The budgetary basis of accounting is essentially the same as generally accepted accounting principles in the United States of America with the exceptions that capital outlay expenditures are expensed when purchased, depreciation and amortization are not calculated, property taxes are recorded as revenue when received, inventories of supplies are budgeted as expenditures when purchased, and debt and OPEB liabilities are expensed as paid instead of when incurred.

2. CASH AND INVESTMENTS

Deposits

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Oregon State Treasury.

Credit Risk

In the case of deposits, there is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2011, the bank balance of \$35,080,733 was either insured by the FDIC or covered by collateral. At June 30, 2011, the credit union balance totaled \$100,387, which was insured by the NCUA. No bank deposits were exposed to custodial credit risk because they were held at an approved depository as identified by the Oregon State Treasury.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

2. CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

Cash and investments are comprised of:

Cash on hand	\$	2,400
Deposits with financial institutions:		
Demand deposits		15,285,754
Money market		16,723,910
Certificates of deposit		1,265,152
Investments (LGIP)		12,461,255
Total	\$	<u>45,738,471</u>

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

Statement of Net Assets:		
Cash and investments	\$	45,573,703
Statement of Fiduciary Net Assets:		
Cash and investments		164,768
Total	\$	<u>45,738,471</u>

Investments

It is our policy to follow state statutes governing cash management. Statutes authorize investing in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions, as well as investments, in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2011.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

2. CASH AND INVESTMENTS (Continued)

Investments (Continued)

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the District's position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2011. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Policies officially adopted by the District's Board of Directors authorize investing in obligations of U.S. Government agencies, U.S. Government Sponsored Enterprises (USGSE), the U.S. Treasury, time certificates of deposit, repurchase agreements, money market investments, bankers' acceptances, commercial paper, State of Oregon and local government securities, and the State Treasurer's investment pool. The State Treasurer's investment policies are governed by Oregon Revised Statutes and the Oregon Short-Term Fund Board (OSTFB).

As of June 30, 2011, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
State Treasurer's Investment Pool	\$ 12,461,255	\$ 12,461,255	\$ -	\$ -
Total	<u>\$ 12,461,255</u>	<u>\$ 12,461,255</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

2. CASH AND INVESTMENTS (Continued)

Investments (Continued)

The District limits investment maturities as follows:

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

Credit Risk – Neither the Oregon Revised Statutes or the District’s investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies. The District’s investments in U.S. Government Agencies were rated AAA by Standard & Poor’s and Aaa by Moody’s Investor Service. The State Treasurer’s investment pool is unrated.

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

Concentration of Credit Risk – To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the District’s investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2011, the District was in compliance with all percentage restrictions.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

3. RECEIVABLES

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

Receivables are comprised of the following:

Grants	\$	3,437,647
Interest and other		8,594,939
Total	<u>\$</u>	<u>12,032,586</u>

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

Capital Assets Year Ended June 30, 2011	Restated Balance July 1, 2010	Increase	Retirements	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 30,719,033	\$ -	\$ (185,025)	\$ 30,534,008
Total capital assets not being depreciated	<u>30,719,033</u>	<u>-</u>	<u>(185,025)</u>	<u>30,534,008</u>
Capital assets being depreciated:				
Building and improvements	309,905,250	2,480,622	(1,507,910)	310,877,962
Original furniture and fixtures	25,364,775	5,375	-	25,370,150
Equipment	2,642,863	46,412	-	2,689,275
Motor vehicles	13,670,628	316,573	-	13,987,201
Information technology equipment	2,340,071	283,787	-	2,623,858
Total capital assets being depreciated	<u>353,923,587</u>	<u>3,132,769</u>	<u>(1,507,910)</u>	<u>355,548,446</u>
Less accumulated depreciation for:				
Building and improvements	(83,393,129)	(6,704,033)	838,322	(89,258,840)
Original furniture and fixtures	(19,732,273)	(365,033)	-	(20,097,306)
Equipment	(1,984,925)	(105,935)	-	(2,090,860)
Motor vehicles	(8,929,842)	(726,654)	-	(9,656,496)
Information technology equipment	(691,936)	(435,037)	-	(1,126,973)
Total accumulated depreciation	<u>(114,732,105)</u>	<u>(8,336,692)</u>	<u>838,322</u>	<u>(122,230,475)</u>
Total capital assets being depreciated, net	<u>239,191,482</u>	<u>(5,203,923)</u>	<u>(669,588)</u>	<u>233,317,971</u>
Total capital assets, net	<u>\$ 269,910,515</u>	<u>\$ (5,203,923)</u>	<u>\$ (854,613)</u>	<u>\$ 263,851,979</u>

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

4. CAPITAL ASSETS (Continued)

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

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

<u>PROGRAM</u>	<u>DEPRECIATION</u>
Business services	\$ 7,468,323
Central activities	778,159
Food service	90,210
Total depreciation	<u>\$ 8,336,692</u>

5. COMPENSATED ABSENCES

Activity for compensated absences for the year ended June 30, 2011, all of which are considered due within one year, as follows:

Balance July 1, 2010	\$ 404,361
Additions	380,093
Payments	<u>(404,361)</u>
Balance June 30, 2011	<u>\$ 380,093</u>

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

6. LONG-TERM DEBT

Long-term debt is comprised of:

Bonds payable	\$	234,111,712
Certificates of participation		6,538,184
Net Termination Benefits		1,382,768
Net OPEB obligation		2,944,760
PERS pension bonds		100,520,000
Balance June 30, 2011	\$	<u>345,497,422</u>
Due within one year	\$	<u>19,876,013</u>
Due in more than one year	\$	<u>325,621,409</u>

Bonds Payable

Bonds payable transactions for the year are as follows:

Description	Original Issue	Outstanding July 1, 2010	Additions	Matured and Redeemed	Outstanding July 30, 2011	Due Within One Year
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	\$ 395,000	\$ -	\$ 395,000	\$ -	\$ -
Hillsboro School District 1J, issued March 1, 1998, interest rate 4.0-5.0%	22,795,000	13,245,000	-	2,390,000	10,855,000	2,515,000
Hillsboro School District 1J, issued February 6, 2001 and partially refunded May 2005, interest rate 3.8-5.1%	98,000,000	4,995,000	-	4,995,000	-	-
Hillsboro School District 1J refunding issue May 2005, interest 3.7-5.12%	78,055,000	71,910,000	-	3,135,000	68,775,000	7,890,000
Hillsboro School District 1J issued December 19, 2006, interest at 4.0-5.0%	168,996,712	160,071,712	-	5,590,000	154,481,712	6,130,000
Total	<u>\$ 372,521,712</u>	<u>\$ 250,616,712</u>	<u>\$ -</u>	<u>\$ 16,505,000</u>	<u>\$ 234,111,712</u>	<u>\$ 16,535,000</u>

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Future maturities of bond principal and interest are as follows:

<u>Fiscal Year Ending June 30, 2011</u>	<u>Principal</u>	<u>Interest</u>
2011-12	\$ 16,535,000	\$ 10,844,988
2012-13	17,815,000	10,078,850
2013-14	19,210,000	9,252,800
2014-15	20,235,000	8,342,850
2015-16	18,775,000	7,452,250
2016-2021	77,800,000	23,305,800
2021-2026	<u>63,741,712</u>	<u>22,361,392</u>
TOTAL	<u>\$ 234,111,712</u>	<u>\$ 91,638,930</u>

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

Other Long-Term Debt

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

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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

6. LONG-TERM DEBT (Continued)

Other Long-Term Debt (Continued)

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

Description	Outstanding July 1, 2010	Increases	Decreases	Outstanding July 30, 2011	Due Within One Year
Certificate of participation	\$ 4,966,729	\$ 2,372,318	\$ (618,542)	\$ 6,720,505	\$ 1,179,772
Unamortized discount	(167,463)	-	(14,858)	(182,321)	14,858
Net COPs	<u>4,799,266</u>	<u>2,372,318</u>	<u>(633,400)</u>	<u>6,538,184</u>	<u>1,194,630</u>
PERS pension bonds	101,600,000	-	(1,080,000)	100,520,000	1,455,000
Total	<u>\$ 106,399,266</u>	<u>\$ 2,372,318</u>	<u>\$ (1,713,400)</u>	<u>\$ 107,058,184</u>	<u>\$ 2,649,630</u>

Future maturities of principal are as follows:

Fiscal Year Ending June 30, 2011	Principal	Interest
2011-12	\$ 2,649,630	\$ 4,886,223
2012-13	3,069,630	4,808,644
2013-14	3,179,462	4,712,217
2014-15	3,669,462	4,592,607
2015-16	3,725,000	4,452,542
2016-2021	27,535,000	19,168,540
2021-2026	45,690,000	11,149,387
2026-2028	<u>17,540,000</u>	<u>1,087,429</u>
TOTAL	<u>\$ 107,058,184</u>	<u>\$ 54,857,589</u>

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

7. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

Transfers Out:	
Fiduciary Fund	\$ 700,000
	<u>\$ 700,000</u>
Transfers In:	
General Fund	\$ 700,000
	<u>\$ 700,000</u>

Transfers are budgeted and recorded to show legal commitments between funds.

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

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

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

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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

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

The total expense for benefits to teachers and administrators retired under these programs was \$758,550 for the 2011-12 school year. The District covers these obligations through annual appropriations to an Early Retirement Trust Fund.

Program membership at year end was 0 licensed, 0 classified, and 7 administrators.

Annual Pension Cost and Net Pension Obligation – The annual pension cost and net pension obligation is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the excess over a period not to exceed 30 years, the components of the annual pension cost for the year ending June 30, 2011, the amount actually contributed to the plan, and changes in the net pension obligation:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual required contribution	\$ 37,168	\$ 29,763	\$ 30,879
Interest on NPO	(1,862)	(3,017)	(2,324)
Adjustment to ARC	<u>6,567</u>	<u>18,905</u>	<u>19,434</u>
Annual pension cost (APC)	41,873	45,651	47,989
Expected Contributions	<u>(70,743)</u>	<u>(28,330)</u>	<u>(8,667)</u>
Increase (Decrease) in net pension obligation	(28,870)	17,321	39,322
Net Pension Obligation (asset) at beginning of year	<u>(46,560)</u>	<u>(75,430)</u>	<u>(58,109)</u>
Net Pension Obligation (asset) at end of year	<u>\$ (75,430)</u>	<u>\$ (58,109)</u>	<u>\$ (18,787)</u>
Percentage of APC contributed	169%	62%	18%

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

Actuarial Methods and Assumptions

The annual required contribution (ARC) for the current year was determined as part of the July 1, 2009, actuarial valuation using the projected unit credit cost method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost, and the healthcare cost trend. The actuarial assumptions included; (a) a rate of return on investment of 4 percent; (b) overall payroll growth of 3.75 percent per year; and (c) retirement rate assumptions; (d) insurance premium trend rate of 10 percent, then graded down by .5 percent to 5 percent. Amounts determined regarding the funded status of the plan and annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A separately issued NPO plan report is not available. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll, on a closed basis, over a period of four years.

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

Funding Status and Funding Progress

As of June 30, 2009, the actuarial accrued liability for benefits was \$100,684, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$100,684. The covered payroll is unavailable. The Annual Required Contribution (ARC) for June 30, 2011, was actuarially determined to be \$30,879.

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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost and net OPEB obligation is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that is, if paid on an ongoing basis, projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual pension cost for the year ending June 30, 2011, the amount actually contributed to the plan, and changes in the net OPEB obligation:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Annual required contribution	\$ 824,475	\$ 2,042,546	\$2,119,141
Interest on net OPEB	20,010	37,457	78,501
Adjustment to ARC	-	(32,323)	(67,719)
Annual pension cost (APC)	824,475	2,047,690	2,129,923
Expected Contributions	(391,015)	1,021,614	1,147,676
Increase (Decrease) in net OPEB obligation	436,209	1,026,076	982,247
Net OPEB Obligation (Asset) at beginning of year	500,228	936,437	1,962,513
Net OPEB Obligation (Asset) at end of year	<u>\$ 936,437</u>	<u>\$ 1,962,513</u>	<u>\$2,944,760</u>
Percentage of APC Contributed	47%	-50%	-54%

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The annual required contribution (ARC) for the current year was determined as part of the July 1, 2009, actuarial valuation using the projected unit credit cost method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial methods and assumptions used are consistent with the long-term perspective of the calculations. Examples include assumptions about mortality, claim cost, and the healthcare cost trend. The actuarial assumptions included: (a) a rate of return on investment of 4 percent, (b) overall payroll growth of 3.75 percent per year, (c) retirement rate assumptions, and (d) insurance premium trend rate of 10 percent, then graded down by .5 percent per year to 5 percent. Amounts determined regarding the funded status of the plan and annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A separately issued OPEB plan report is not available. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll, on a closed basis, over a period of thirty years.

Funding Status and Funding Progress

As of June 30, 2009, the actuarial accrued liability for benefits was \$18,504,189, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,504,189. The covered payroll is unavailable. The Annual Required Contribution (ARC) for June 30, 2011, was actuarially determined to be \$2,119,141.

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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

A new termination benefits program was established during 2010-11. The plan is, in substance, a single employer defined benefit plan established under collective bargaining agreements.

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

- ❖ Full-time Licensed employees who retired during the 2010-11 school year, and were at the top of Columns C, D, E, or F on the Licensed Salary Schedule were eligible for a \$750 per month stipend for a total of 24 months or until the employee and spouse become eligible for Medicare coverage. This benefit was prorated based on FTE.
- ❖ Full-time Classified and Supervisory/Technical employees who retired during the 2010-11 school year with 15 years of service in the Hillsboro School District or were at the top of the Classified Salary Schedule were eligible for a \$450 per month stipend for a total of 24 months or until the employee and spouse become eligible for Medicare coverage. This benefit was prorated based on FTE.
- ❖ Full-time Administrative employees who retired during the 2010-11 school year with 15 years of service in the Hillsboro School District or were at the top of the Administrative Salary Schedule were eligible for a \$700 per month stipend for a total of 24 months or until the employee and spouse become eligible for Medicare coverage. This benefit was prorated based on FTE.

Program membership at year end was 56 licensed, 3 Supervisory/Technical and 42 classified.

In accordance with GASB Statement 47, *Termination Benefits*, a liability has been determined for the plan. As of June 30, 2011, the District's potential liability for its termination benefits plan is \$1,382,768.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

9. PENSION PLAN

The District contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post-employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700, or by calling 1-503-598-7377.

Members of PERS are required to contribute 6 percent of their salary covered under the plan. The District is required by ORS 238.225 to contribute at an actuarially determined rate. The rate effective July 1, 2009, is 4.3 percent of salary covered under the plan for Tier 1 and Tier 2 employees and 4.82 percent for employees covered under the Oregon Public Services Retirement Plan (OPSRP). The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

The 2003 Oregon Legislature passed PERS reform legislation and essentially created a new retirement plan for employees hired on or after August 29, 2003.

These employees become members of the Oregon Public Service Retirement Plan (OPSRP). OPSRP is a hybrid (defined benefit/defined contribution) retirement plan with two components: the Pension Program (established and maintained as a tax-qualified governmental defined benefit plan) and the Individual Account Program (established and maintained as a tax-qualified governmental defined contribution plan). OPSRP is administered by PERS.

The District's contributions to PERS for the year ended June 30, 2011, was approximately \$10,198,669, approximately \$10,948,782 for the year ended June 30, 2010, and approximately \$15,334,833 for the year ended June 30, 2009, equal to the required contributions for each year.

10. RISK MANAGEMENT

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

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

10. RISK MANAGEMENT (Continued)

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

11. COMMITMENTS AND CONTINGENCIES

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

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

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

12. PREPAID PENSION ASSET

PERS UAL was prepaid with a lump sum payment of \$100,780,385 in a prior year. As of June 30, 2011, \$85,663,323 was reported as Prepaid PERS UAL, which is net of amortization.

13. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made in the amount of (\$978,875) to the Statement of Activities to correct assets (Capital Assets) that were overstated due to an understatement of expenditures in prior years. The District imported capital asset data into a new software program, resulting in several adjustments and reclassifications. A prior period adjustment was made in the General Fund in the amount of \$1,500,000 to properly account for the PERS reserve fund under GASB #54. These adjustments net to a total prior period adjustment of \$521,125 on the Statement of Activities.

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HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

REQUIRED SUPPLEMENTAL INFORMATION

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HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

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

FOR THE YEAR ENDED JUNE 30, 2011

PLAN 1 (STIPENDS)

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Plan Assets	PUC Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2005	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2006	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	\$ -	\$457,482	\$457,852	N/A	N/A	N/A
6/30/2009	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2010	\$ -	\$100,684	\$100,684	N/A	N/A	N/A
6/30/2011	N/A	N/A	N/A	N/A	N/A	N/A

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	N/A	N/A
2006	N/A	N/A
2007	N/A	N/A
2008	\$223,320	121%
2009	37,168	190
2010	29,763	95
2011	30,879	28

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

Note – The Hillsboro School District's initial Post-Employment Benefits actuarial study was completed for the 2007-08 school year. No figures are prior to 6/30/2008.

HILLSBORO SCHOOL DISTRICT IJ
Washington County, Oregon

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

FOR THE YEAR ENDED JUNE 30, 2011

PLAN 2 (HEALTH INSURANCE)

The Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Plan Assets	PUC Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2005	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2006	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	\$ -	\$6,752,665	\$6,752,665	N/A	N/A	N/A
6/30/2009	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2010	\$ -	\$18,504,189	\$18,504,189	N/A	N/A	N/A
6/30/2011	N/A	N/A	N/A	N/A	N/A	N/A

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	N/A	N/A
2006	N/A	N/A
2007	N/A	N/A
2008	824,475	39
2009	824,475	47
2010	2,042,546	50
2011	\$2,119,141	54%

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

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SUPPLEMENTAL INFORMATION

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DEBT SERVICE FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Taxes - current year's levy	\$ 27,119,088	\$ 27,119,088	\$ 27,081,573	\$ (37,515)
Taxes- prior years' levies	382,000	382,000	617,832	235,832
Taxes- penalties and interest	25,500	25,500	10,577	(14,923)
Interest on investments	76,000	76,000	59,008	(16,992)
Miscellaneous	4,354,238	4,354,238	5,850,804	1,496,566
Total revenues	31,956,826	31,956,826	33,619,794	1,662,968
EXPENDITURES:				
Other sources:				
Debt service				
Principal	17,585,000	17,585,000	17,585,000	-
Other	-	-	400	(400)
Interest	16,382,221	16,382,221	16,382,221	-
Total expenditures	33,967,221	33,967,221 (1)	33,967,621	(400)
NET CHANGE IN FUND BALANCE	(2,010,395)	(2,010,395)	(347,826)	1,662,569
FUND BALANCE, July 1, 2010	4,796,770	4,796,770	3,654,721	(1,142,049)
FUND BALANCE, June 30, 2011	\$ 2,786,375	\$ 2,786,375	\$ 3,306,895	\$ 520,520

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CAPITAL PROJECTS FUND**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Interest on investments	\$ 363,000	\$ 363,000	\$ 167,099	\$ (195,901)
	363,000	363,000	167,099	(195,901)
Intermediate sources:				
Other intermediate sources	-	67,000	110,277	43,277
Restricted revenue	-	-	8,747	8,747
	-	67,000	119,024	52,024
Total revenues	363,000	430,000	286,123	(143,877)
EXPENDITURES:				
Facilities acquisition and construction				
Service area direction:				
Salaries and wages	-	-	258,440	(258,440)
Employee benefits	-	-	94,268	(94,268)
Purchased services	-	-	2,907	(2,907)
Supplies and materials	-	-	470,450	(470,450)
Capital outlay	-	-	378,037	(378,037)
Other	-	-	496	(496)
Building acquisition and construction				
Salaries and wages	373,000	373,000	-	373,000
Purchased services	4,095,000	4,148,500	1,127,859	3,020,641
Supplies and materials	-	4,000	419,925	(415,925)
Capital outlay	5,485,000	5,486,000	3,111,844	2,374,156
Other	210,000	218,500	4,007	214,493
Total acquisitions and construction	10,163,000	10,230,000	(1) 5,868,234	4,361,766
DEFICIENCY OF REVENUES OVER EXPENDITURES	(9,800,000)	(9,800,000)	(5,582,111)	4,217,889
OTHER FINANCING SOURCES (USES):				
Sale or compensation for loss of fixed assets	-	-	1,799,438	1,799,438
	-	-	1,799,438	1,799,438
NET CHANGE IN FUND BALANCE	(9,800,000)	(9,800,000)	(3,782,673)	6,017,327
FUND BALANCE, July 1, 2010	21,800,000	21,800,000	23,710,495	1,910,495
FUND BALANCE, June 30, 2011	\$ 12,000,000	\$ 12,000,000	\$ 19,927,821	\$ 7,927,821

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PENSION-TRUST POST-EMPLOYMENT BENEFIT

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

FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Local sources:				
Charges to other funds	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
EXPENDITURES:				
Support services:				
Early retirement program:				
Salaries and wages	200,000	200,000	76,475	123,525
Employee benefits	50,000	-	8,476	(8,476)
Contingency	650,000	-	-	-
Total expenditures	900,000	200,000 (1)	84,951	115,049
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(800,000)	(100,000)	(84,951)	15,049
OTHER FINANCING SOURCES, (USES)				
Transfers out	-	(700,000) (1)	(700,000)	-
NET CHANGE IN FUND BALANCE	(800,000)	(800,000)	(784,951)	15,049
FUND BALANCE, July 1, 2010	800,000	800,000	950,104	150,104
FUND BALANCE, June 30, 2011	\$ -	\$ -	\$ 165,153	\$ 165,153

(1) Appropriation Level

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF BONDED DEBT TRANSACTIONS

FOR THE YEAR ENDED JUNE 30, 2011

Issue Date	Outstanding		Outstanding		Interest	
	June 30, 2010	Matured and Redeemed	June 30, 2011	Coupon Rates	Matured and Redeemed	
Reedville School District No. 29:						
August 1, 1993	\$ 395,000	\$ 395,000	\$ -	4.5 to 5.2%	\$ 10,270	
Hillsboro School District 1J:						
March 1, 1998	13,245,000	2,390,000	10,855,000	4.0 to 5.0%	602,500	
February 1, 2001	4,995,000	4,995,000	-	3.8 to 5.1%	249,750	
May, 2005	71,910,000	3,135,000	68,775,000	3.0 to 5.1%	3,721,513	
November, 2006	160,071,712	5,590,000	154,481,712	4.0 to 5.0%	7,023,950	
	<u>\$ 250,616,712</u>	<u>\$ 16,505,000</u>	<u>\$ 234,111,712</u>		<u>\$ 11,607,983</u>	
PERS pension bonds						
June 21, 2005	<u>\$ 101,600,000</u>	<u>\$ 1,080,000</u>	<u>\$ 100,520,000</u>	3.7 to 4.8%	<u>\$ 4,774,238</u>	

PRINCIPAL

Hillsboro School District 1J

Fiscal Year	March 1, 1998	March 1, 1999	February 6, 2001	May 26, 2005	December 19, 2006
2010-2011	\$ 2,515,000	\$ -	\$ -	\$ 7,890,000	\$ 6,130,000
2011-2012	2,640,000	-	-	8,480,000	6,695,000
2012-2013	2,780,000	-	-	9,160,000	7,270,000
2013-2014	2,920,000	-	-	9,565,000	7,750,000
2014-2015	-	-	-	10,365,000	8,410,000
2015-2020	-	-	-	23,315,000	54,485,000
2020-2025	-	-	-	-	63,741,712
2025-2028	-	-	-	-	-
	\$ 10,855,000	\$ -	\$ -	\$ 68,775,000	\$ 154,481,712

INTEREST

Fiscal	March 1, 1998	March 1, 1999	February 6, 2001	May 26, 2005	December 19, 2006
2010-2011	\$ 479,875	\$ -	\$ -	\$ 3,564,763	\$ 6,800,350
2011-2012	351,000	-	-	3,170,263	6,557,588
2012-2013	215,500	-	-	2,746,263	6,291,038
2013-2014	73,000	-	-	2,269,238	6,000,613
2014-2015	-	-	-	1,768,200	5,684,050
2015-2020	-	-	-	1,859,550	21,446,250
2020-2025	-	-	-	-	22,526,288
2025-2028	-	-	-	-	-
	\$ 1,119,375	\$ -	\$ -	\$ 15,378,277	\$ 75,306,177

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

FOR THE YEAR ENDED JUNE 30, 2011

	Tax Year	Uncollected July 1, 2010	Levy as Extended by Assessor	Discounts Allowed
<u>GENERAL FUND</u>				
Current	2010-11	\$ -	\$ 53,358,525	\$ (1,358,622)
Prior	2009-10	1,433,311		290
	2008-09	544,836	-	340
	2007-08	194,946	-	57
	2006-07	49,610	-	1
	2005-06	11,568	-	1
	2004-05 & Prior	30,249	-	4
Total prior		2,264,519	-	692
Total general fund		\$ 2,264,519	\$ 53,358,525	\$ (1,357,929)
<u>DEBT SERVICE FUND</u>				
Current	2010-11	\$ -	\$ 28,469,413	\$ (724,892)
Prior	2009-10	748,456	-	151
	2008-09	246,082	-	154
	2007-08	126,074	-	37
	2006-07	16,620	-	0
	2005-06	4,047	-	0
	2004-05 & Prior	11,433	-	2
Total prior		1,152,713	-	344
Total debt service fund		1,152,713	28,469,413	(724,548)
TOTAL ALL FUNDS		\$ 3,417,232	\$ 81,827,938	\$ (2,082,478)

Interest	Adjustments	Collections	Uncollected June 30, 2011
\$ 18,561	\$ (242,800)	\$ (50,514,462)	\$ 1,261,202
61,054	(27,990)	(946,469)	520,196
50,256	(25,165)	(310,939)	259,328
36,688	(8,204)	(156,832)	66,655
11,353	(2,099)	(40,759)	18,106
1,580	(4,879)	-	8,269
3,558	(5,145)	(3,635)	25,031
164,490	(73,481)	(1,458,634)	897,585
<u>\$ 183,051</u>	<u>\$ (316,282)</u>	<u>\$ (51,973,096)</u>	<u>\$ 2,158,787</u>

\$ 9,903	\$ (129,546)	\$ (26,951,965)	\$ 672,914
31,882	(14,616)	(494,234)	271,640
22,699	(11,366)	(140,440)	117,129
23,727	(5,306)	(101,425)	43,107
3,804	(703)	(13,655)	6,066
553	(1,707)	-	2,893
1,364	(1,810)	(1,389)	9,599
84,028	(35,508)	(751,143)	450,433
93,931	(165,054)	(27,703,108)	1,123,347
<u>\$ 276,982</u>	<u>\$ (481,335)</u>	<u>\$ (79,676,204)</u>	<u>\$ 3,282,134</u>

RECONCILIATION TO REVENUE:

Cash collections by county treasurer above	\$ 79,676,204
Multnomah County cash collections	2,316
Yamhill County cash collections	12,374
Accrued prior year	(535,453)
Accrued current year	505,362
Other taxes	3,095
Property tax revenue	<u>\$ 79,663,898</u>

Reported in:

General Fund	\$ 51,964,493
Debt Service Fund	27,699,405
	<u>\$ 79,663,898</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF REVENUES**FOR THE YEAR ENDED JUNE 30, 2011**

	Fund 100	Fund 200
REVENUES:		
Revenue from local sources:		
1110 Ad valorem taxes paid by District	\$ 51,964,493	\$ -
1190 Penalties and interest on taxes	20,031	-
1200 Revenue from local governments- Construction Excise Tax	-	478,483
1310 Tuition	5,679	-
1400 Transportation fees	69,474	-
1500 Earning on investments	159,942	1,549
1600 Food service	-	1,739,507
1700 Extracurricular activities	481,610	3,852,752
1910 Rentals	222,538	-
1920 Contributions & donations	-	1,230,788
1940 Services provided to other LEA	-	5,000
1960 Recovery of prior year	392,473	-
1970 Pension bonds	-	-
1980 Fees charged to grants	766,272	-
1990 Miscellaneous	233,070	298,694
Total Revenue from local sources	54,315,582	7,606,773
Revenue from intermediate sources:		
2101 County school funds	435,113	-
2180 Strategic investment program - unrestricted	727,561	-
2199 Other intermediate sources	-	-
2200 Restricted revenue	-	96,590
Total Revenue from Intermediate Sources	1,162,674	96,590
Revenue from state sources:		
3101 State school fund - general support	82,683,045	-
3102 State school fund - school lunch match	-	83,799
3103 Common school fund	1,880,238	-
3104 State managed county timber	767,045	-
3105 State school fund - transportation grant	5,371,136	-
3222 State school fund transportation equipment	-	709,092
3299 Other restricted grants-in-aic	449,379	434,732
Total revenue from state sources	91,150,843	1,227,623
Revenue from federal sources:		
4299 Unrestricted revenue from federal government through state	1,607,384	-
4300 Restricted revenue from federal government	-	144,675
4500 Restricted revenue from federal government through the state	5,112,319	18,890,080
4700 Restricted revenue from federal government through intermediate sources	-	1,265,497
4900 Revenue for/on behalf of the District	-	547,035
Total revenue from federal sources	6,719,703	20,847,287
Revenue from other sources:		
5100 Capital Leases	-	2,372,318
5110 Bond Premium	-	-
5200 Transfers	700,000	-
5300 Sale or compensation for loss of fixed assets	5,182	-
5400 Resources - beginning fund balance	17,916,403	3,019,254
Total revenue from other sources	18,621,584	5,391,572
TOTAL REVENUES	\$ 171,970,387	\$ 35,169,845

Fund 300	Fund 400	Fund 600	Fund 700	Total
\$ 27,699,405	\$ -	\$ -	\$ -	\$ 79,663,898
10,577	-	-	-	30,608
-	-	-	-	478,483
-	-	-	-	5,679
-	-	-	-	69,474
59,008	167,099	-	-	387,598
-	-	-	-	1,739,507
-	-	-	-	4,334,361
-	-	-	-	222,538
-	-	-	-	1,230,788
-	-	-	-	5,000
-	-	-	-	392,473
5,850,804	-	-	-	5,850,804
-	-	-	-	766,272
-	-	-	-	531,765
33,619,794	167,099	-	-	95,709,248
-	-	-	-	435,113
-	-	-	-	727,561
-	110,277	-	-	110,277
-	8,747	-	-	105,336
-	119,024	-	-	1,378,287
-	-	-	-	82,683,045
-	-	-	-	83,799
-	-	-	-	1,880,238
-	-	-	-	767,045
-	-	-	-	5,371,136
-	-	-	-	709,092
-	-	-	-	884,111
-	-	-	-	92,378,467
-	-	-	-	1,607,384
-	-	-	-	144,675
-	-	-	-	24,002,399
-	-	-	-	1,265,497
-	-	-	-	547,035
-	-	-	-	27,566,990
-	-	-	-	2,372,318
-	-	-	-	-
-	-	3,000,000	-	3,700,000
-	1,799,438	-	-	1,804,620
3,654,721	23,710,495	1,500,000	950,104	50,750,976
3,654,721	25,509,933	4,500,000	950,104	58,627,914
\$ 37,274,515	\$ 25,796,055	\$ 4,500,000	\$ 950,104	\$ 275,660,907

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF GENERAL FUND EXPENDITURES**FOR THE YEAR ENDED JUNE 30, 2011**

	Object 100	Object 200	Object 300
EXPENDITURES:			
Instruction:			
1111 Primary programs	\$ 14,364,613	\$ 5,783,493	\$ 189,678
1112 Intermediate programs	9,837,011	4,079,923	129,317
1113 Elementary extracurricular	1,443	296	-
1121 Middle School programs	6,383,106	2,606,910	28,952
1122 Middle School extracurricular	57,298	11,713	116
1131 High School programs	12,890,422	5,087,177	115,599
1132 High School extracurricular	1,569,101	395,117	258,462
1210 Talented and Gifted	160,517	46,662	50,923
1220 Students with disabilities-restricted	5,174,836	2,689,291	327,229
1230 Physically Disabled	621	129	-
1250 Students with disabilities - less restricted	7,229,553	3,564,691	10,502
1271 Remediation	-	-	-
1272 Title 1	6,823	946	10
1280 Alternative Education	836,535	351,606	211,208
1288 Charter Schools	-	-	924,157
1290 Designated Programs	-	-	-
1291 English Second Language program	4,522,393	2,117,462	61,142
1292 Teen Parent program	252,288	125,977	189
1294 Youth corrections program	21,337	10,421	-
Total Instruction	63,307,897	26,871,815	2,307,486
Support services:			
2110 Attendance and social work services	640,222	341,559	552,369
2120 Guidance Services	3,243,080	1,305,934	119,096
2130 Health Services	529,728	244,331	9,215
2140 Psychological services	342,064	123,130	121,347
2150 Speech pathology services	1,073,127	419,255	4,730
2160 Other student treatment services	-	-	79,452
2190 Service direction, student special education	7,866	1,361	48,063
2210 Improvement of Instructional services	12,872	4,627	7,349
2220 Educational media services	902,731	488,187	3,315
2230 Assessment and testing	98,183	11,818	4,400
2240 Instructional staff development	265,181	57,477	107,426
2310 Board of Education services	63,337	13,192	63,764
2320 Executive administration services	620,889	212,801	123,888
2410 Office of the principal services	7,763,062	3,261,602	180,064
2490 Other support services school administration	851,683	321,172	132,300
2510 Direction of business support services	431,735	207,169	87,218
2520 Fiscal services	503,673	229,542	48,594
2540 Operation and maintenance of plant	3,333,283	1,323,674	12,414,640
2550 Student transportation services	5,767,297	3,176,033	15,561
2570 Internal services	209,847	102,975	79,594
2630 Information/production services	214,897	88,758	74,922
2640 Staff services	588,242	764,227	117,155
2660 Technology services	1,514,501	601,359	1,134,085
2670 Records management services	-	-	19,380
2690 Other support services	84,482	34,262	-
Total support services	29,061,981	13,334,444	15,547,926
Enterprise Services			
3300 Other community services	224,071	102,694	40,688
Total community services	224,071	102,694	40,688
Debt service			
5110 Long-term debt service	-	-	-
5200 Transfers	-	-	-
Total debt service	-	-	-
TOTAL EXPENDITURES	\$ 92,593,950	\$ 40,308,953	\$ 17,896,100

Object 400	Object 500	Object 600	Object 700	Total
\$ 691,843	\$ -	\$ -	\$ -	\$ 21,029,628
203,428	-	-	-	14,249,680
33	-	-	-	1,772
122,598	-	210	-	9,141,777
802	-	-	-	69,929
404,692	-	9,220	-	18,507,110
120,436	-	73,835	-	2,416,951
43,121	-	-	-	301,223
100,470	-	36,892	-	8,328,717
-	-	-	-	750
44,958	-	293	-	10,849,996
61	-	-	-	61
-	-	-	-	7,779
43,604	-	259	-	1,443,212
-	-	-	-	924,157
-	-	62	-	62
38,206	-	-	-	6,739,202
817	-	-	-	379,272
564	-	-	-	32,322
1,815,633	-	120,769	-	94,423,600
10,583	-	750	-	1,545,483
13,914	-	89	-	4,682,114
12,124	-	1,347	-	796,745
11,095	-	-	-	597,636
10,358	-	385	-	1,507,855
63	-	-	-	79,516
78,132	-	601	-	136,021
2,979	-	836	-	28,663
108,831	-	235	-	1,503,300
12,990	-	19,112	-	146,502
34,845	-	4,197	-	469,126
6,437	-	13,300	-	160,030
12,712	-	6,641	-	976,931
230,974	-	10,258	-	11,445,960
111,241	-	5,514	-	1,421,910
27,593	-	9,091	-	762,805
(7,923)	-	14,829	-	788,714
748,101	7,998	790,833	-	18,618,529
1,299,932	-	120,620	-	10,379,442
120,198	-	190	-	512,804
4,896	-	25	-	383,498
17,554	-	-	-	1,487,177
760,882	139,003	5,169	-	4,155,000
1,731	-	40	-	21,151
-	-	-	-	118,744
3,630,242	147,001	1,004,060	-	62,725,655
3,254	-	-	-	370,707
3,254	-	-	-	370,707
-	-	527,150	-	527,150
-	-	-	3,000,000	3,000,000
-	-	527,150	3,000,000	3,527,150
\$ 5,449,128	\$ 147,001	\$ 1,651,979	\$ 3,000,000	\$ 161,047,112

HILLSBORO SCHOOL DISTRICT 1J
Washington County, Oregon

SCHEDULE OF SPECIAL REVENUE FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2011

EXPENDITURES:	100	200	300
Instruction:			
1111 Primary programs	\$ 132,774	\$ 36,651	\$ 6,515
1112 Intermediate programs	14,319	3,018	19,340
1113 Elementary extracurricular	24,655	4,464	7,584
1121 Middle school programs	2,000	421	6,595
1122 Middle school extracurricular	1,811	360	4,516
1131 High school programs	124,582	37,331	38,356
1132 High school extracurricular	86,283	16,031	13,440
1140 Pre-kindergarten programs	37,223	14,089	20,541
1220 Students with disabilities - restrictive programs	1,299,904	495,374	33,420
1250 Students with disabilities - less restrictive programs	204,178	121,703	104
1260 Early intervention	31,920	12,074	34
1271 Remediation	330	68	-
1272 Title I	2,024,437	936,661	4,741
1279 Title I - Private School	-	-	20,253
1280 Alternative education	505,900	143,134	943,733
1290 Designated programs	-	-	-
1291 English second language programs	-	-	-
1292 Teen parent program	36,280	21,985	1,840
1293 Migrant education	236,207	62,615	11,242
1400 Summer school program:	96,648	20,090	6,397
Total instruction	4,859,451	1,926,070	1,138,650
Support services:			
2110 Attendance and social work services	224,135	101,975	174,249
2120 Guidance services	540	102	32,988
2130 Health services	53,000	25,000	5,776
2140 Psychological services	520,964	225,741	76,853
2150 Speech pathology and audiology services	174,540	84,578	-
2160 Student treatment center	208,658	82,552	63,459
2190 Service direction, student special education	352,023	153,512	38,773
2210 Improvement of instruction services	180,470	54,424	70,316
2220 Media services	-	-	-
2240 Instructional staff development	1,234,015	319,612	553,884
2320 Executive administration services	151	47	-
2410 Office of the principal services	1,471	243	3,843
2490 Other support services school administration	168,818	64,929	7,544
2520 Fiscal services	-	-	350
2540 Operation and maintenance of plant	-	-	250,515
2550 Student transportation services	-	-	280,648
2610 Direction of central support services	562,317	196,900	6,577
2620 Planning, research and development services	7,140	1,117	275
2640 Recruitment and placement	-	-	1,457
2660 Technology services	40,435	15,515	-
Total support services	3,728,677	1,326,245	1,567,508
Enterprise and community services:			
3100 Food services	1,875,382	1,018,308	(222,795)
3300 Community services	20,255	9,062	98,789
Total support services	1,895,637	1,027,371	(124,006)
Capital Projects			
4150 Building acquisition, construction & improvements	-	-	-
Total capital projects	-	-	-
TOTAL EXPENDITURES	\$ 10,483,766	\$ 4,279,686	\$ 2,582,153

	400	500	600	Total
\$	50,710	\$ -	\$ -	\$ 226,649
	33,053	-	175	69,905
	315,748	-	-	352,451
	2,643	-	-	11,659
	364,607	-	-	371,294
	89,039	-	12,776	302,085
	3,170,564	-	3,955	3,290,273
	-	-	-	71,853
	74,040	-	19,849	1,922,588
	106,800	-	-	432,785
	-	-	-	44,028
	-	-	-	397
	58,081	-	185,717	3,209,636
	3,120	-	-	23,373
	20,694	-	27,336	1,640,797
	1,385	-	-	1,385
	2,228	-	-	2,228
	20,313	-	838	81,256
	19,821	-	42,883	372,768
	1,300	-	-	124,435
	4,334,146	-	293,530	12,551,847
	12,958	-	3,225	516,543
	-	-	-	33,630
	453	-	-	84,229
	-	-	-	823,557
	-	-	-	259,118
	22,334	-	7,670	384,674
	15,363	-	-	559,671
	40,714	-	350	346,273
	17,774	-	-	17,774
	202,678	-	54,635	2,364,825
	-	-	-	198
	30,742	-	-	36,299
	29,978	-	-	271,270
	5,133	-	-	5,483
	-	-	-	250,515
	-	3,191,947	-	3,472,595
	12,609	-	3,771	782,174
	-	-	-	8,532
	78	-	-	1,535
	1,449	-	-	57,398
	392,264	3,191,947	69,652	10,276,293
	3,906,131	26,911	412,779	7,016,716
	24,486	-	8,211	160,804
	3,930,617	26,911	420,990	7,177,520
	-	50,000	-	50,000
	-	50,000	-	50,000
\$	8,657,027	\$ 3,268,858	\$ 784,171	\$ 30,055,660

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF DEBT SERVICE FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2011

	Object 100	Object 200	Object 300	Object 400	Object 500	Object 600	TOTAL
EXPENDITURES:							
Other uses:							
5100 Debt service	\$ -	\$ -	\$ 400	\$ -	\$ -	\$ 33,967,221	\$ 33,967,621

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF CAPITAL PROJECTS FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2011

	Object 100	Object 200	Object 300	Object 400
EXPENDITURES:				
Facilities acquisition & construction expenditures				
1121 Intermediate programs	\$ -	\$ -	\$ -	\$ -
1131 Secondary programs	-	-	-	-
2660 Technology	-	-	-	-
4110 Service area direction	258,440	94,268	2,907	470,450
4120 Site acquisition & development systems	-	-	-	-
4150 Building acquisition, construction, & improvement services	-	-	1,127,859	419,925
4190 Other facilities construction services - -	-	-	-	-
5200 Transfer of Funds	-	-	-	-
TOTAL EXPENDITURES	\$ 258,440	\$ 94,268	\$ 1,130,767	\$ 890,376

Object 500	Object 600	TOTALS
\$ -	\$ -	\$ -
-	-	-
-	-	-
378,037	496	1,204,598
-	-	-
3,111,844	4,007	4,663,636
-	-	-
-	-	-
\$ 3,489,881	\$ 4,503	\$ 5,868,234

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF FIDUCIARY FUND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2011

	Object 100	Object 200	Object 800	TOTALS
EXPENDITURES:				
Support services:				
2700 Supplemental retirement program	\$ 76,475	\$ 8,476	\$ 700,000	\$784,951

SUPPLEMENTAL INFORMATION, 2010-2011

School District Business Managers and Auditors:

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

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

- A. Energy Bill for Heating -**All Funds**:
 Please enter your expenditures for electricity
 & heating fuel for these Functions & Objects.

	Objects 325 & 326
Function 2540	\$ 3,824,336
Function 2550	\$ 21,443

- B. Replacement of Equipment -**General Funds**:
 Include all General Fund expenditures in objects 542, except for the following exclusions:

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

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

STATISTICAL SECTION TABLE OF CONTENTS

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	71
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	79
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	85
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	89
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	91

Sources:

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

NET ASSETS BY CATEGORY

Last Ten Fiscal Years

2001-02 Through 2010-11

(accrual basis of accounting)

	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 43,279,660	\$ 44,713,254	\$ 36,339,608	\$ 48,427,208
Restricted for special programs	2,285,638	-	-	-
Restricted for debt service	3,306,895	3,654,721	5,880,421	10,827,545
Restricted for capital projects	20,296,746	23,710,495	39,421,641	101,584,454
Unrestricted	(19,579,279)	(19,016,357)	(31,880,776)	(103,343,000)
Total primary government net assets	<u>\$ 49,589,659</u>	<u>\$ 53,062,112</u>	<u>\$ 49,760,894</u>	<u>\$ 57,496,207</u>

Source: Hillsboro School District 1J financial records.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ (97,336,636)	\$ 52,183,443	\$ 48,174,979	\$ 57,423,759	\$ 62,159,150	\$ 55,808,215
-	-	-	-	-	-
6,573,042	6,745,522	7,003,798	6,477,663	7,040,368	6,242,523
177,928,489	8,357,714	-	-	-	-
24,783,019	23,006,941	32,384,733	22,273,298	7,109,290	11,104,701
<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>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CHANGES IN NET ASSETS
Last Ten Fiscal Years
2001-02 Through 2010-11
(accrual basis of accounting)

	2010-11	2009-10	2008-09	2007-08
Governmental Activities:				
Expenses				
Instruction	\$ 115,345,118	\$ 113,083,611	\$ 122,478,716	\$ 110,225,767
Support services	75,113,377	72,721,956	86,269,378	77,354,276
Enterprise & community services	8,109,778	8,779,813	9,457,828	9,169,942
Facilities acquisition & construction	-	-	-	65,870,014
Interest on long-term debt	16,560,348	17,242,277	17,905,207	22,257,859
Total expenditures	215,128,620	211,827,657	236,111,129	284,877,858
PROGRAM REVENUES:				
Charges for services:				
Instruction	4,409,514	4,256,047	4,021,721	6,390,034
Support services	227,538	273,337	168,919	178,773
Enterprise & community services	1,739,507	1,959,373	2,041,711	2,338,045
Operating grants & contributions:				
Instruction	17,996,465	12,519,540	12,342,037	8,577,163
Support services	6,136,063	1,131,494	2,379,115	3,516,952
Enterprise & community services	6,490,380	6,469,855	5,267,264	5,549,384
Capital grants & contributions:				
Instruction	-	-	-	-
Support services	-	-	-	109,820
Enterprise & community services	96,590	80,702	71,062	95,570
Total program revenues	37,096,057	26,690,348	26,291,829	26,755,741
Net (Expenditures)	(178,032,562)	(185,137,309)	(209,819,300)	(258,122,117)
General Revenues				
Taxes:				
Property taxes, levied for general purposes	51,832,676	50,085,826	48,193,154	46,040,548
Property taxes, levied for debt service	27,630,949	26,101,682	21,845,630	29,560,363
State School Fund - General Support	91,150,843	101,051,718	101,756,724	104,687,241
Unrestricted state and local sources	-	-	-	-
Earnings on investments	387,598	-	-	-
Gain on sale of capital assets	950,007	785,940	3,312,204	9,340,104
Miscellaneous	2,086,912	11,437,792	12,067,166	7,597,249
Total general revenues	174,038,984	189,462,958	187,174,878	197,225,505
CHANGE IN NET ASSETS	\$ (3,993,578)	\$ 4,325,649	\$ (22,644,422)	\$ (60,896,612)

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ 93,429,518	\$ 90,626,555	\$ 86,376,150	\$ 77,641,128	\$ 75,511,577	\$ 80,370,299
63,574,639	57,239,269	55,864,621	48,175,450	48,605,835	54,608,786
7,378,732	9,903,601	6,284,320	5,300,463	4,380,766	4,387,720
832,064	-	-	-	36,082	-
11,593,839	11,798,269	3,720,541	7,701,343	8,067,120	9,450,508
176,808,792	169,567,694	152,245,632	138,818,384	136,601,380	148,817,313
1,070,606	2,126,428	4,143,996	3,093,549	2,835,269	3,428,885
232,335	1,858,211	430,408	678,092	767,939	563,477
2,355,750	2,177,939	3,700,700	2,052,807	1,830,026	1,938,031
8,795,634	4,241,207	7,378,878	8,061,968	4,236,906	7,133,013
3,036,287	3,725,767	4,715,506	9,647,884	7,359,007	7,291,436
4,334,791	4,298,360	3,447,404	3,065,297	2,681,706	2,602,220
-	-	-	-	-	-
527,800	404,634	348,305	365,000	341,855	291,482
-	-	-	-	-	-
20,353,203	18,832,546	24,165,197	26,964,597	20,052,708	23,248,544
(156,455,589)	(150,735,148)	(128,080,435)	(111,853,787)	(116,548,672)	(125,568,769)
43,741,370	42,262,685	40,522,887	39,118,206	38,971,982	36,377,811
14,668,594	14,812,597	15,542,605	14,654,964	15,609,618	17,285,615
86,828,447	83,972,807	63,991,989	72,273,902	56,101,333	64,412,360
-	-	-	-	4,210,110	3,347,333
-	-	-	-	-	-
8,194,851	2,653,853	1,446,575	760,116	1,542,526	4,358,468
24,676,621	9,763,319	7,965,169	3,569,787	3,266,472	642,951
178,109,883	153,465,261	129,469,225	130,376,975	119,702,041	126,424,538
\$ 21,654,294	\$ 2,730,113	\$ 1,388,790	\$ 18,523,188	\$ 3,153,369	\$ 855,769

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

2002 - 2011

(modified accrual basis of accounting)

	<u>2010-11 (1)</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
FUND BALANCES:				
Nonspendable, reported in:				
Inventory	\$ 300,725	\$ -	\$ -	\$ -
Prepaid Items	572,074	-	-	-
Restricted, reported in:				
General fund	-	364,700	383,482	666,715
Special revenue funds	2,285,638	499,389	235,323	218,447
Debt service fund	3,306,895	3,654,721	5,880,421	10,827,545
Capital projects funds	20,296,746	23,710,495	39,421,641	101,584,454
Assigned, reported in:				
Special revenue funds	2,582,631	-	-	-
PERS Reserve	4,500,000	-	-	-
Unassigned, reported in:				
General fund	10,654,867	17,551,703	19,658,096	22,973,345
Special revenue funds	(358,476)	2,519,865	3,597,953	3,435,749
Debt service fund	-	-	-	-
Capital projects funds	(368,925)	-	-	-
TOTAL FUND BALANCES	\$ 43,772,176	\$ 48,300,872	\$ 69,176,916	\$ 139,706,255

(1) GASB 54 was implemented in 2010-11, requiring new fund balance categories to be reported. Over time all fund balance will be reported under new GASB 54 fund balance categories.

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
219,748	245,271	238,850	201,031	212,532	380,954
170,099	182,812	882,780	835,817	819,653	849,730
6,573,042	7,874,004	9,073,416	6,477,663	7,040,368	-
177,928,489	8,357,714	13,204,310	17,772,597	26,585,671	-
-	-	-	-	-	-
-	-	-	-	-	-
19,668,582	20,187,310	14,730,521	17,499,555	2,524,759	5,922,064
3,672,104	2,098,654	2,454,476	2,087,512	1,859,373	1,832,311
-	-	-	-	-	6,654,606
-	-	-	-	-	57,237,750
\$208,232,064	\$38,945,765	\$40,584,353	\$44,874,175	\$39,042,356	\$72,877,415

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

**CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS****Last Ten Fiscal Years****2002 - 2011**

(modified accrual basis of accounting)

	2010-11	2009-10	2008-09	2007-08
Revenues				
Property taxes	\$ 79,663,898	\$ 75,902,580	\$ 69,425,118	\$ 74,970,634
Charges for services	8,161,987	8,197,218	8,265,066	7,009,678
Earnings on investments	387,598	785,940	3,229,021	9,340,104
Other	7,495,766	6,977,351	6,944,129	6,726,267
Intermediate sources	1,378,287	2,821,079	1,742,355	3,286,708
State School support	92,378,467	101,051,718	103,156,724	104,687,241
Federal	27,566,990	20,120,889	20,087,018	17,327,027
Other sources	-	-	-	-
Total revenues	217,032,993	215,856,775	212,849,431	223,347,659
EXPENDITURES:				
Current operating				
Instruction	106,975,447	106,348,362	103,425,714	99,258,155
Support Services	69,662,999	68,171,937	72,746,276	69,657,422
Enterprise & community services	7,521,316	8,256,888	8,046,600	8,257,520
Facilities acquisition & construction	2,378,353	-	-	-
Capital outlay	6,905,741	19,620,414	66,650,915	83,737,559
Debt service				
Principal	17,940,000	15,985,000	14,530,000	9,370,000
Other	400	30,931	30,931	30,931
Payment to PERS	-	-	-	-
Interest	16,554,371	17,306,459	17,951,944	22,040,454
Total expenditures	227,938,627	235,719,991	283,382,380	292,352,041
	(10,905,634)	(19,863,216)	(70,532,949)	(69,004,382)
Other financing sources (uses)				
Bond proceeds	-	-	-	39,068
Sale or compensation for loss of fixed asset	1,804,620	11,602	3,610	94,242
Capital Leases	2,372,318	-	-	-
Operating transfer in	700,000	-	-	-
Total other financing sources (uses)	4,876,938	11,602	3,610	133,310
NET CHANGE IN FUND BALANCES	\$ (6,028,696)	\$ (19,851,614)	\$ (70,529,339)	\$ (68,871,072)

Debt services as a percentage of noncapital expenditures

15.6%

15.4%

15.0%

15.1%

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$ 58,274,830	\$ 57,183,332	\$ 56,412,322	\$ 53,824,620	\$ 54,504,023	\$ 53,385,120
3,765,885	4,778,380	6,307,762	5,824,448	6,591,189	5,834,985
8,194,851	2,653,850	1,446,575	760,116	1,542,526	4,358,468
1,375,754	1,605,890	3,061,354	1,030,150	2,344,141	915,668
3,812,017	4,296,352	3,749,953	3,516,570	2,573,735	1,838,914
86,835,628	83,968,676	71,857,440	81,462,389	63,608,223	75,191,397
15,821,511	13,690,511	10,869,443	10,855,286	8,347,115	7,703,247
186,703,215	4,560,607	103,126,403	54,668	166,224	166,977
364,783,691	172,737,598	256,831,252	157,328,247	139,677,176	149,394,776
90,028,311	87,151,646	81,088,557	74,367,389	73,244,826	78,269,095
61,260,272	55,044,467	52,451,074	46,467,506	46,761,142	52,846,551
7,110,119	6,294,588	5,900,323	5,075,963	4,249,262	4,273,007
-	1,680,430	567,389	4,430,025	3,074,184	5,440,942
15,556,452	3,025,190	4,349,203	5,265,037	30,258,195	42,189,507
10,020,821	9,168,251	10,196,483	8,066,526	7,686,108	6,030,606
38,196	-	-	-	-	-
-	-	100,780,385	-	-	-
11,483,228	12,011,614	5,737,725	7,873,920	8,238,518	9,819,855
195,497,399	174,376,186	261,071,139	151,546,366	173,512,235	198,869,563
169,286,292	(1,638,588)	(4,239,887)	5,781,881	(33,835,059)	(49,474,787)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 169,286,292	\$ (1,638,588)	\$ (4,239,887)	\$ 5,781,881	\$ (33,835,059)	\$ (49,474,787)

12.0%

12.4%

45.5%

10.9%

11.1%

10.1%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

ASSESSED VALUES OF TAXABLE PROPERTY WITHIN SCHOOL DISTRICT BOUNDARIES

Last Ten Fiscal Years

2002 - 2011

Market Value				
Fiscal Year Ending June 30	Real Property	Manufactured Property	Personal Property	Public Utility
2002	\$ 10,639,614,593	\$ 74,370,422	\$ 393,699,811	\$ 313,680,138
2003	11,320,330,142	61,742,798	505,778,770	346,116,777
2004	14,625,590,941	56,343,418	513,363,728	334,868,331
2005	14,738,573,962	50,838,508	498,893,923	310,996,669
2006	15,692,590,790	44,565,453	608,210,530	309,515,561
2007	17,598,385,145	42,234,530	569,322,711	336,270,664
2008	18,875,429,572	35,325,440	597,352,127	344,285,720
2009	19,574,092,456	32,349,370	662,182,294	339,169,003
2010	19,055,259,480	31,497,060	651,404,471	416,135,377
2011	18,830,265,680	31,525,110	631,207,499	446,710,065

Note:

Represents Washington County only

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

Assessed Value (not including exempt property)

Total Market Value	Total Taxable Assessed Value	Total Direct Tax Rate	Amount tax rate will raise	Less: Reduction and Adjustments	Total Taxes Imposed (Not Levy)
\$ 11,421,364,964	\$7,480,035,078	\$ 8.34	\$ 62,383,493	\$ (7,256,587)	\$ 55,126,906
12,233,968,487	8,185,621,736	6.79	55,580,372	628,960	56,209,332
15,530,166,418	8,244,000,065	6.67	54,987,480	514,510	55,501,990
15,599,303,062	8,482,860,603	6.71	56,919,995	721,284	57,641,279
16,654,882,334	8,842,271,844	6.59	58,270,571	400,466	58,671,037
18,546,213,050	9,156,346,239	6.52	59,699,377	58,996	59,758,373
19,852,392,859	9,589,976,937	6.20	59,457,857	(849,826)	58,608,031
20,607,793,123	10,098,797,357	6.29	63,521,435	(872,020)	62,649,415
20,154,296,388	10,465,349,538	6.33	66,239,809	(930,213)	65,309,595
19,939,708,354	10,912,092,039	6.40	69,803,033	(1,103,124)	68,699,931

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DIRECT AND OVERLAPPING PROPERTY TAX RATES**2001-02 Through 2010-11**

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

DIRECT:	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Hillsboro School District	6.4001	6.3322	6.2936	6.1994	6.5240
Hillsboro School District - after 10/6/01	1.1845	1.1278	0.8080	1.8587	0.0000
Prior School District Bonds:					
Hillsboro Elementary	0.0000	0.0000	0.0802	0.0829	0.0793
Reedville	0.0000	0.4102	0.2617	0.2493	0.2268
Farmington View	0.0000	0.0000	0.0000	0.0000	0.0000
North Plains	0.0000	0.0000	0.0000	0.0000	0.2706
OVERLAPPING GOVERNMENTS:					
Washington County	2.3898	2.3940	2.3940	2.4431	2.4494
Washington County - after 10/6/01	0.5900	0.5900	0.5900	0.5900	0.0000
Enhanced Sheriff Patrol	1.2660	1.2823	1.3099	1.0920	1.1120
Road Maintenance	0.2456	0.2456	0.2456	0.2456	0.2456
Port of Portland	0.0701	0.0701	0.0701	0.0701	0.0701
City of Hillsboro	5.3865	5.3865	5.3865	4.7665	4.7665
City of North Plains	2.1712	2.1712	2.1712	2.1712	2.1712
City of Cornelius	3.9836	3.9836	4.0050	4.0723	4.1698
Cornelius RFPD	1.3354	1.3300	1.4388	1.4702	1.4820
Washington County RFFD #2	1.1219	1.1219	1.1219	1.1219	1.1219
Washington County RFFD #2 - after 10/6/01	0.5700	0.5700	0.5700	0.5700	0.0000
Tualatin Valley Fire and Rescue	1.5252	1.5252	1.5446	1.5560	1.8194
Tualatin Valley Fire and Rescue - after 10/6/01	0.3576	0.3695	0.2988	0.3132	0.0000
Gaston RFPD	1.7621	1.5121	1.5121	1.5121	1.5121
Banks RFPD	2.1007	2.1324	2.1671	2.0321	2.0220
Forest Grove RFPD	1.4262	1.4339	1.4375	1.4409	1.4390
Metro Service District	0.2499	0.2504	0.3018	0.2683	0.2782
Metro Service District after 10/6/01	0.1589	0.1864	0.0966	0.1609	0.0000
Tri-Met	0.0878	0.0863	0.0803	0.0856	0.0973
Tualatin Hills Park & Recreation	1.7428	1.7343	1.4291	1.4341	1.4425
Wolf Creek Water	0.0000	0.0000	0.0000	0.0000	0.0000
Urban Renewal - H	0.0000	0.0000	0.0000	0.0000	0.0000
Metro Zoo	0.0000	0.0000	0.0000	0.0000	0.0966
Northwest Regional ESD	0.1538	0.1538	0.1538	0.1538	0.1538
Portland Community College	0.4628	0.4579	0.5031	0.5051	4.8890
Portland Community College - after 10/6/01	0.1731	0.1746	0.0000	0.0000	0.0000
Rainbow Lanes Road	0.4888	0.4888	0.4888	0.4888	0.4888

Source: The Washington County Department of Assessment and Taxation.

2005-06	2004-05	2003-04	2002-03	2001-02
6.5900	6.7059	6.6651	6.7942	\$ 8.34
0.0000	0.0000	0.0000	0.0000	0.0000
0.0793	0.1292	0.1278	0.1257	0.1407
0.2556	0.3327	0.2985	0.2828	0.2999
0.3408	0.3636	0.3627	0.3812	0.3907
0.0253	0.3187	0.2944	0.2890	0.3292
2.8390	2.8734	2.9149	2.9149	2.5277
0.0000	0.0000	0.0000	0.0000	0.0000
1.1300	1.1424	1.0291	1.0291	1.0797
0.2456	0.2456	0.2456	0.2456	0.2456
0.0701	0.0701	0.0701	0.0701	0.0737
4.7665	4.7665	4.7665	4.7665	4.7665
2.6385	3.1563	3.2361	3.2361	2.6902
3.9836	4.3098	4.5828	4.5828	4.6836
1.5307	1.5631	1.9667	1.9667	1.9550
1.1219	1.1219	1.1219	1.1219	1.2976
0.0000	0.0000	0.0000	0.0000	0.0000
1.7752	1.8259	1.8206	1.8206	1.5869
0.0000	0.0000	0.0000	0.0000	0.0000
1.5121	1.0921	1.3060	1.3060	1.0921
1.7031	1.4110	1.6621	1.6621	1.5504
1.2766	1.4361	1.4568	1.4568	1.4591
0.0000	0.2838	0.2835	0.2835	0.3401
0.0000	0.0000	0.0000	0.0000	0.0000
0.1191	0.1104	0.1239	0.1239	0.1345
1.4505	1.4551	1.4617	1.4617	1.4898
0.0000	0.0000	0.1486	0.1486	0.1647
0.0000	0.0000	0.0000	0.0000	0.0000
0.0966	0.2838	0.0000	0.0000	0.0000
0.1538	0.1538	0.1538	0.1538	0.1538
0.2828	0.5099	0.4944	0.4944	0.3717
0.0000	0.0000	0.0000	0.0000	0.0000
0.4888	0.4888	0.4888	0.4888	0.4888

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

**PRINCIPAL PROPERTY TAX PAYERS FOR WASHINGTON COUNTY
Current Year (2011) and Ten Years Ago (2001)**

<u>Taxpayer</u>	2011			2001		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Ten largest taxpayers						
Intel Corporation	\$1,086,959,550	1	11.33%	\$589,690,540	1	7.88%
Nike, Inc.	\$431,605,315	2	4.50%			
Portland General Electric	\$390,952,730	3	4.08%			
Frontier Communications	\$371,640,200	4	3.88%			0.00%
Pacific Realty Associates	\$301,956,704	5	3.15%			0.00%
Northwest Natural Gas Co.	\$282,171,220	6	2.94%			0.00%
Genentech Inc.	\$231,546,750	7	2.41%			
Comcast Corporation	\$213,072,700	8	2.22%			
Maxim Integrated Products, Inc.	\$137,021,824	9	1.43%			
Tektronix, Inc.	\$128,237,247	10	1.34%			
Komatsu Silicon America, Inc.				\$130,691,741	2	1.75%
Integrated Device Technology				\$72,484,840	3	0.97%
Selco Service Corp.				\$47,263,000	4	0.63%
Wolverine Leasing Corp				\$42,906,340	5	0.57%
Sumitomo Bank Leasing & Finance				\$40,066,030	6	0.54%
Epson Portland, Inc.				\$39,956,440	7	0.53%
Quatama Crossing, LLC				\$32,295,810	8	0.43%
NEC America, Inc.				\$25,817,710	9	0.35%
Credence Systems Corp.				\$23,719,990	10	0.32%
Subtotal of ten largest taxpayers	\$3,575,164,240		37.28%	\$1,044,892,441		13.97%
All other taxpayers	7,336,927,799		76.51%	\$6,435,142,637		86.03%
Total all taxpayer:	\$10,912,092,039		113.79%	\$7,480,035,078		100.00%

Note: Represents Washington County only. Multnomah and Yamhill County portions of the District comprise less than 0.02% of the District's assessed value.

Source: Washington County Department of Assessment and Taxation.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

2002 - 2011

Fiscal Year Ending June 30	Net Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Tax Collections to Date	
		Amount	Fiscal Year of the Levy Percent of Levy		Amount	Percentage of Levy
2002	\$ 55,126,906	\$ 52,009,944	94.35%	\$ 1,472,559	\$ 53,482,503	97.02%
2003	56,209,332	53,060,508	94.40%	1,429,931	54,490,439	96.94%
2004	55,501,990	52,439,499	94.48%	1,351,492	53,790,991	96.92%
2005	57,641,279	54,715,305	94.92%	829,264	55,544,569	96.36%
2006	58,671,037	55,799,603	95.11%	1,113,177	56,912,780	97.00%
2007	59,923,244	57,060,099	95.22%	1,241,203	58,301,302	97.29%
2008	77,461,189	73,547,415	94.95%	1,882,918	75,430,333	97.38%
2009	71,924,928	67,817,843	94.29%	2,198,086	70,015,929	97.35%
2010	78,263,542	73,894,785	94.42%	2,181,767	76,076,552	97.21%
2011	81,827,938	77,466,427	94.67%	2,209,777	79,676,204	97.37%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

RATIO OF BONDED DEBT TO ASSESSED PROPERTY VALUE

Last Ten Fiscal Years

2002 - 2011

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Certificates of Participation</u>	<u>PERS Pension Bonds</u>	<u>Total District</u>	<u>Per ADMw</u>	<u>Per Capita</u>
2002	\$ 164,865,000	\$ 6,280,000	\$ -	\$ 171,145,000	9,426	1,821
2003	157,405,000	6,060,000	-	163,465,000	8,685	1,528
2004	149,580,000	5,825,000	-	155,405,000	8,295	1,426
2005	139,604,501	5,556,397	102,850,000	248,010,898	13,035	2,158
2006	130,569,579	5,302,971	102,850,000	238,722,550	12,371	1,822
2007	287,242,352	5,034,545	102,850,000	395,126,897	20,273	3,366
2008	278,762,595	4,827,537	102,740,000	386,330,132	19,766	2,866
2009	265,497,826	4,487,395	102,330,000	372,315,221	18,580	2,877
2010	250,616,712	4,799,266	101,600,000	357,015,978	17,759	2,690
2011	234,111,712	6,538,184	100,520,000	341,169,895	16,851	2,716

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

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of June 30, 2011

<u>Overlapping Issuer</u>	<u>Net Property-tax Backed Debt</u>	<u>Percent Overlapping (1)</u>	<u>Overlapping Debt</u>
Northwest Regional ESD	\$ -	0.0000%	\$ -
Chemeketa Community College	90,855,000	0.0044%	3,998
Multnomah County	104,660,000	0.0005%	523
Port of Portland	-	0.0000%	-
Metro	158,020,000	6.2298%	9,844,330
Tri-Met	9,800,000	6.5316%	640,097
Portland Community College	199,390,000	9.2209%	18,385,553
Washington County SD 13 (Banks)	9,100,000	1.5691%	142,788
Washington County	20,030,000	21.9552%	4,397,627
Tualatin Hills Park & Rec Dist	70,790,000	1.9330%	1,368,371
Forest Grove RFPD	120,000	0.9417%	1,130
Gaston RFPD	265,000	2.7796%	7,366
Banks Fire District 13	1,005,000	4.4686%	44,909
Tualatin Valley Fire & Rescue Dist	49,865,000	3.3192%	1,655,119
City of Cornelius	-	0.0000%	-
City of Hillsboro	8,870,000	88.0861%	7,813,237
City of North Plains	275,000	100.0000%	275,000
Yamhill County	-	0.0000%	-
Chehalem Park & Rec District	1,420,000	0.0204%	290
Yamhill County Housing Authority	-	0.0000%	-
Subtotal, overlapping debt			<u>\$ 44,580,338</u>
Direct District net property-tax backed debt			<u>\$ 341,169,895</u>
Total direct and overlapping debt			<u><u>\$ 385,750,233</u></u>

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

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HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

2002 - 2011

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

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

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

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

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

Source: District Financial Statements

2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
\$1,399,071,619	\$1,247,560,967	\$1,243,730,043	\$1,234,684,230	\$972,600,495	\$907,998,515
391,061,712	231,880,000	248,025,005	149,580,000	157,405,000	164,865,000
\$1,008,009,907	\$1,015,680,967	\$995,705,038	\$1,085,104,230	\$815,195,495	\$743,133,515
27.95%	18.59%	19.94%	12.11%	16.18%	18.16%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

2002 - 2011

Year	Population (1)	Personal Income (thousands of dollars) (Estimated)	Personal Income (2)	Unemployment Rate (2)
2002	94,000	\$2,921,268	\$31,077	5.1%
2003	107,000	N/A	N/A	6.7%
2004	109,000	N/A	N/A	6.8%
2005	114,948	3,891,300	33,853	7.5%
2006	131,018	4,168,750	31,818	7.5%
2007	117,402	4,252,125	36,219	4.8%
2008	134,801	4,667,619	34,626	4.6%
2009	129,407	4,692,168	36,259	9.9%
2010	132,708	4,094,042	30,850	10.40%
2011	125,609	3,770,782	30,020	9.50%

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

PRINCIPAL EMPLOYERS FOR THE PORTLAND, OREGON, METROPOLITAN AREA**Current Year (2011) and Nine Years Ago (2002)**

Employer	2011			2002		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Ten Largest Employers						
Intel Corp.	15,228	1	1.55%	16,000	1	1.65%
Providence Health System	13,831	2	1.41%	12,800	3	
Oregon Health & Science University	13,283	3	1.35%	10,100	4	
Fred Meyer Stores	9,630	4	0.98%	13,325	2	1.38%
Kaiser Permanente	9,204	5	0.94%	7,093	6	
Legacy Health Systems	8,250	6	0.84%	7,158	5	
Nike	6,000	7	0.61%	5,000	8	0.52%
Wells Fargo	4,861	8	0.49%			
US Bank	3,856	9	0.39%	4,242	9	0.44%
Xerox	2,952	10	0.30%			
Freightliner						0.00%
Safeway				6,000	7	0.62%
Tektronix Inc.						0.00%
Meier & Frank				3,500	10	0.36%
US West						0.00%
United Parcel Service						0.00%
Sub-total of ten largest employers	87,095		8.87%	85,218		4.96%
All Other Employers	895,305		91.13%	883,782		91.21%
Total Portland PMSA Employees	982,400		100.00%	969,000		96.17%

Source:

2011 Portland Business Journal Book of Lists

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

CERTIFIED, CLASSIFIED, AND ADMINISTRATIVE EMPLOYEES

Last 10 Fiscal Years

2001-02 Through 2010-11

<u>Fiscal Year</u>	<u>Certified</u>	<u>Classified</u>	<u>Administrative</u>	<u>TOTAL</u>
2001-02	995	957	78	2,030
2002-03	997	925	75	1,997
2003-04	858	1,038	64	1,960
2004-05	985	1,050	67	2,102
2005-06	1,044	1,050	67	2,161
2006-07	1,105	1,062	73	2,240
2007-08	1,110	1,076	73	2,259
2008-09	1,105	902	77	2,084
2009-10	1,099	869	76	2,044
2010-11	1,102	889	74	2,065

(1) Full-time equivalent (FTE) positions

Source:

Hillsboro School District 1J payroll records

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

STUDENT ENROLLMENT STATISTICS

Last Ten Fiscal Years

2001-02 Through 2010-11

Fiscal Year	Average Daily Membership	Percent Free and Reduced	Net Operating Expenditures per ADM	Student to Teacher Ratio
2001-02	17,705	33%	\$7,359	18
2002-03	18,070	35%	6,606	21
2003-04	18,079	38%	6,656	18
2004-05	18,437	39%	7,189	19
2005-06	18,711	40%	7,499	18
2006-07	18,997	36%	7,947	17
2007-08	19,122	42%	7,948	17
2008-09	19,530	44%	8,176	18
2009-10	19,767	50%	7,846	18
2010-11	19,765	50%	7,996	18

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

STUDENT ENROLLMENT AND CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

2002 - 2011

School/(Year Opened)	Square Footage				
		2011	2010	2009	2008
Brookwood Elementary (1953)	43,041	443	445	457	535
Imlay Elementary (2002)	69,435	590	609	617	541
Butternut Creek Elementary (1977)	34,840	414	412	451	449
Patterson Elementary (2000)	69,435	548	552	515	733
Orenco Elementary (2000)	69,435	515	438	424	605
Indian Hills Elementary (1979)	40,219	449	451	443	385
Reedville Elementary (1922)	16,247	247	276	291	346
David Hill Elementary (1943)	27,828		Closed	Closed	262
Eastwood Elementary (1978)	49,163	486	473	472	481
Farmington View Elementary (1950)	22,867	220	224	215	209
Free Orchards (2008)	73,500	499	487	472	-
Jackson Elementary (1990)	50,767	527	535	537	620
L.C. Tobias Elementary (1992)	50,000	523	524	543	550
Groner Elementary (1949)	32,402	175	171	191	192
Lenox Elementary (1949)	51,074	427	390	402	425
McKinney Elementary (1970)	49,163	497	474	503	536
Minter Bridge Elementary (1980)	49,163	464	427	461	442
Moobery Elementary (1963)	49,496	493	488	513	516
North Plains Elementary (1954)	46,913	313	311	320	332
Peter Boscow Elementary (1912)	67,752		Closed	Closed	355
Rosedale Elementary (2009)	73,700	350	363	-	-
Quatama Elementary (2008)	73,100	556	638	513	-
Ladd Acres Elementary (1968)	60,825	571	548	636	647
Lincoln Street Elementary (2008)	73,400	543	522	545	-
W.L. Henry Elementary (1968)	52,813	451	467	605	594
West Union Elementary (1948)	42,757	314	305	312	402
Old Witch Hazel Elementary	Demolished		n/a	n/a	n/a
Witch Hazel Elementary (2003)	69,435	559	544	645	609
Brown Middle School (1963)	95,414	821	859	919	899
Evergreen Middle School (1981)	120,000	827	855	886	873
Thomas Middle School (1928)	Demolished		n/a	543	524
South Meadows Middle School (2009)	153,000	748	750	-	-
Poynter Middle School (1959)	83,200	706	678	775	782
Miller Ed Junior High (1959)	9,560	19	22	17	19
Century High School (1997)	265,000	1,584	1,537	1,524	1,454
Glencoe High School (1980)	240,000	1,580	1,554	1,490	1,427
Liberty High School (2003)	288,897	1,289	1,244	1,270	1,264
Hilhi High School (1969)	253,652	1,426	1,470	1,481	1,477
Middle Ed High School (1958)	20,552	72	60	50	60
		20,246	20,103	20,038	19,545

Source:

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

Enrollment						
	2007	2006	2005	2004	2003	2002
	566	558	566	525	509	540
	659	655	654	610	608	
	439	442	456	488	492	442
	654	677	642	649	601	575
	594	552	567	550	538	695
	407	369	382	407	481	484
	366	360	388	373	376	351
	337	321	311	309	299	281
	505	534	557	607	606	587
	226	248	269	297	292	316
-	-	-	-	-	-	-
	656	632	612	622	583	575
	563	577	567	640	658	621
	206	191	212	224	223	248
	440	439	395	416	520	491
	533	509	503	513	506	482
	362	406	401	495	528	514
	543	504	513	472	505	496
	310	333	351	354	354	345
	388	388	392	387	447	436
-	-	-	-	-	-	-
-	-	-	-	-	-	-
	603	612	592	587	716	701
-	-	-	-	-	-	-
	616	592	546	649	632	659
	349	358	300	326	375	392
n/a	n/a	n/a	n/a	n/a	n/a	182
	489	431	401			
	875	892	903	851	791	765
	778	774	794	809	770	775
	544	550	503	499	497	506
-	-	-	-	-	-	-
	713	760	764	703	640	640
	16	15	16	15	15	14
	1,493	1,460	1,587	2,107	2,037	1,940
	1,444	1,464	1,516	1,773	1,774	1,659
	1,269	1,171	847			
	1,478	1,444	1,438	1,403	1,375	1,382
	69	79	81	75	73	62
	19,490	19,297	19,026	18,735	18,821	18,156

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

TEACHER DATA**2010-11 SCHOOL YEAR**

Education	Step	#	Salary
BA	2	12.68	\$34,438
BA	3	4.99	\$35,126
BA	4	9.36	\$36,531
BA	5	5.50	\$37,992
BA	6	2.59	\$39,512
BA	7	3.40	\$41,093
BA	8	7.61	\$42,736
BA	9	3.59	\$44,446
BA	10	3.00	\$46,223
BA	11	1.10	\$48,072
BA	12	2.31	\$49,995
BA	13	7.31	\$52,105
BA	13a	20.76	\$53,234
BA+24	2	0.41	\$35,471
BA+24	3	0.00	\$36,181
BA+24	4	5.10	\$37,628
BA+24	5	3.70	\$39,132
BA+24	6	5.62	\$40,698
BA+24	7	3.00	\$42,326
BA+24	8	4.00	\$44,019
BA+24	9	5.00	\$45,780
BA+24	10	2.00	\$47,611
BA+24	11	3.00	\$49,515
BA+24	12	3.00	\$51,495
BA+24	13	2.50	\$53,670
BA+24	13a	14.7	\$54,834
BA+45	2	0.00	\$36,534
BA+45	3	1.00	\$37,265
BA+45	4	0.00	\$38,755
BA+45	5	1.00	\$40,306
BA+45	6	0.00	\$41,918
BA+45	7	1.00	\$43,594
BA+45	8	0.00	\$45,338
BA+45	9	1.59	\$47,152
BA+45	10	3.00	\$49,038
BA+45	11	0.00	\$50,999
BA+45	12	2.00	\$53,039
BA+45	13	2.50	\$55,161
BA+45	14	6.00	\$57,367
BA+45	15	0.80	\$59,662
BA+45	16	2.06	\$62,048
BA+45	16a	16.83	\$63,264
MA	2	28.70	\$37,632
MA	3	22.43	\$38,385
MA	4	40.71	\$39,920
MA	5	50.75	\$41,517
MA	6	37.02	\$43,178

Education	Step	#	Salary
MA	7	36.37	\$44,905
MA	8	47.16	\$46,701
MA	9	24.77	\$48,569
MA	10	22.06	\$50,512
MA	11	33.93	\$52,532
MA	12	31.66	\$54,634
MA	13	24.17	\$56,819
MA	14	23.27	\$59,092
MA	15	20.15	\$61,456
MA	16	6.00	\$63,914
MA	17	9.50	\$66,470
MA	17a	87.28	\$67,773
MA+24	2	1.00	\$38,759
MA+24	3	1.60	\$39,535
MA+24	4	2.44	\$41,117
MA+24	5	9.69	\$42,762
MA+24	6	17.70	\$44,472
MA+24	7	19.25	\$46,250
MA+24	8	14.02	\$48,100
MA+24	9	7.49	\$50,025
MA+24	10	8.77	\$52,026
MA+24	11	12.82	\$54,106
MA+24	12	11.79	\$56,271
MA+24	13	12.02	\$58,522
MA+24	14	6.50	\$60,862
MA+24	15	7.72	\$63,297
MA+24	16	4.50	\$65,829
MA+24	17	4.08	\$68,462
MA+24	17a	59.58	\$69,804
MA+45	2	0.00	\$39,922
MA+45	3	0.00	\$40,721
MA+45	4	3.00	\$42,350
MA+45	5	3.49	\$44,044
MA+45	6	6.62	\$45,805
MA+45	7	3.90	\$47,638
MA+45	8	8.62	\$49,544
MA+45	9	5.85	\$51,526
MA+45	10	8.50	\$53,586
MA+45	11	6.50	\$55,729
MA+45	12	5.90	\$57,959
MA+45	13	10.01	\$60,277
MA+45	14	13.87	\$62,688
MA+45	15	6.00	\$65,196
MA+45	16	7.80	\$67,804
MA+45	17	9.25	\$70,516
MA+45	17a	87.06	\$71,898

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



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
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 - (503) 620-2632 • FAX (503) 684-7523

December 19, 2011

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Hillsboro School District No. 1J as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

In connection with our testing nothing came to our attention that caused us to believe the Hillsboro School District No. 1J was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

1. Expenditures of the various funds were within authorized appropriations except as noted on page 33.
2. Two notices of the budget committee meeting were not published at least five days apart.

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in the schedule of findings and questioned costs on page 105.

This report is intended solely for the information and use of the Board of Directors and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Pauly, Rogers and Co. P. C.

PAULY, ROGERS AND CO., P.C.

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

July 1, 2010 - June 30, 2011	Federal	Agency or	Program	Revenue	Expenditure
Federal Grantor, Program Title	CFDA Number	Pass-through Number	Period		
U.S. DEPARTMENT OF EDUCATION:					
Small Learning Communities	84.215L	n/a	2010-11	\$ 207,571	\$ 207,571
				<u>207,571</u>	<u>207,571</u>
Passed through Oregon State Department of Education:					
ARRA SFSF	84.394	n/a	2010-11	6,719,703	6,719,703
				<u>6,719,703</u>	<u>6,719,703</u> (1)
Title IA	84.010	16562	2009-10	885,872	885,872
	84.010	19422	2010-11	2,823,499	2,823,499
				<u>3,709,371</u>	<u>3,709,371</u>
Title ID	84.010	16473	2010-11	36,929	36,929
				<u>36,929</u>	<u>36,929</u>
School Improvement Tier III Phase	84.010	21715	2010-11	10,690	10,690
School Improvement Tier III Phase	84.010	21707	2010-11	24,661	24,661
School Improvement Tier III Phase	84.010	21691	2010-11	49,500	49,500
School Improvement	84.010	18987	2009-10	1,278	1,278
School Improvement	84.010	18986	2009-10	2,827	2,827
				<u>88,956</u>	<u>88,956</u>
ARRA - School Improvement Tier	84.389	20539	2010-11	34,669	34,669
ARRA - School Improvement Tier	84.389	20533	2010-11	34,669	34,669
ARRA - School Improvement Tier	84.389	20519	2010-11	34,669	34,669
ARRA - School Improvement	84.389	18043	2009-10	30,161	30,161
ARRA - School Improvement	84.389	18042	2009-10	33,050	33,050
ARRA - School Improvement	84.389	18016	2009-10	28,487	28,487
				<u>195,705</u>	<u>195,705</u>
ARRA - Title I-D	84.389	16911	2009-10	8,008	8,008
ARRA - Title I-A	84.389	15664	2009-10	1,272,176	1,272,176
				<u>1,280,184</u>	<u>1,280,184</u>
Migrant Education					
Title IC Summer School	84.011	19084	2009-10	271,405	271,405
	84.011	21618	2010-11	33,092	33,092
Title IC Regular School	84.011	16196	2009-10	-	-
	84.011	19274	2010-11	544,106	544,106
Title IC Preschool	84.011	17603	2009-10	36,088	36,088
	84.011	19255	2010-11	5,711	5,711
				<u>890,402</u>	<u>890,402</u>
Quality Improvement 10-11	93.575	19227	2010-11	7,870	7,870
Quality Improvement 10-11	93.575	19219	2010-11	6,530	6,530
Quality Improvement 10-11	93.575	19218	2010-11	10,000	10,000
				<u>24,400</u>	<u>24,400</u>
EISS District	84.323	18170	2009-10	137	137
EISS District	84.323	21226	2010-11	1,031	1,031
EISS Coordinator	84.323	19854	2010-11	62,500	62,500
				<u>63,668</u>	<u>63,668</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**For the Year Ended June 30, 2011**

IDEA - Part B Section 619 2009-10	34.027, 84.173	21797	2009-11	34,218	34,218
IDEA - Part B Section 619 2010-11	84.173	21972	2010-12	17,094	17,094
				<u>51,313</u>	<u>51,313</u>
IDEA - Part B, ARRA	84.391	15203	2009-10	1,887,706	1,887,706
				<u>1,887,706</u>	<u>1,887,706</u>
IDEA - Part B Section 611	84.027	17761	2009-10	1,306,836	1,306,836
IDEA - Part B Section 611	84.027	20301	2010-11	1,200,148	1,200,148
				<u>2,506,984</u>	<u>2,506,984</u>
IDEA Enhancement 2009-10	84.027	18521	2009-10	12,360	12,360
IDEA Enhancement 2010-11	84.027	21324	2010-11	3,955	3,955
				<u>16,315</u>	<u>16,315</u>
Extended Assessment 2010-11	84.027	21489	2010-11	8,229	8,229
				<u>8,229</u>	<u>8,229</u>
SPR&I	84.027	19975	2010-11	8,532	8,532
				<u>8,532</u>	<u>8,532</u>
Perkins Comprehensive Basic	34.048,84.243	15336	2009-10	57,305	57,305
Perkins Comprehensive Basic	34.048,84.243	19150	2010-11	117,692	117,692
				<u>174,997</u>	<u>174,997</u>
Title X McKinney Vento	84.196	16888	2009-10	5,943	5,943
Title X McKinney Vento	84.196	19887	2010-11	29,206	29,206
Professional Development	84.196	20440	2010-11	4,000	4,000
				<u>39,149</u>	<u>39,149</u>
Title X McKinney Vento - ARRA	84.387	15524	2010-11	5,344	5,344
				<u>5,344</u>	<u>5,344</u>
Enhancing Ed through Technology	84.318	16346	2009-10	6,015	6,015
				<u>6,015</u>	<u>6,015</u>
Reading First Beacon	84.XXX	14211	2008-09	80,248	80,248
				<u>80,248</u>	<u>80,248</u>
Title III English Language Acquisitic	84.365	16228	2009-10	163,508	163,508
	84.365	20175	2010-11	239,318	239,318
				<u>402,826</u>	<u>402,826</u>
Evaluation of State and Local Educ	84.305E	224001D	2010-11	117,878	117,878
				<u>117,878</u>	<u>117,878</u>
Title IIA - Teacher Quality	84.367	16757	2009-10	331,721	331,721
Title IIA - Teacher Quality	84.367	19629	2010-11	426,229	426,229
Title IIA English Learner Success	84.367	19299	2010-11	13,700	13,700
				<u>771,651</u>	<u>771,651</u>
OR Teacher Induction Ldr 10-11	84.367	21202	2009-10	535	535
				<u>535</u>	<u>535</u>

HILLSBORO SCHOOL DISTRICT 1J

Washington County, Oregon

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

Mentoring 2010-11	84.367	21212	2010-11	44,000	44,000
				<u>44,000</u>	<u>44,000</u>
09-10 OLN School District Leaders	99.999	17673	2009-10	358	358
				<u>358</u>	<u>358</u>
Regional Data Warehouse Sustainanc	99.998	19210	2009-10	55,709	55,709
Regional Data Warehouse Sustainanc	99.998	22092	2010-11	56,071	56,071
				<u>111,780</u>	<u>111,780</u>
EII GF 11 - Mentoring Teachers - G	99.998	17689	2009-10	215,690	215,690
				<u>215,690</u>	<u>215,690</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>19,666,438</u>	<u>19,666,438</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Vocational Rehabilitation Services - Youth Transition	84.126A	129607	2010-11	108,685	108,685
				<u>108,685</u>	<u>108,685</u>
CAF-SSP (My Future My Choice)	93.558	133260	2010-11	22,681	22,681
				<u>22,681</u>	<u>22,681</u>
HEY! Together Coalition	93.276		2010-11	144,675	144,675
				<u>144,675</u>	<u>144,675</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>276,042</u>	<u>276,042</u>
U.S. DEPARTMENT OF LABOR					
Passed through the Oregon Employment Department:					
Child Care and Development Block	93.575	CCD105113	2010-11	45,016	45,016
	93.575	CCD105113	2010-11	11,393	11,393
				<u>56,409</u>	<u>56,409</u>
Passed through Work Systems, Inc:					
Workforce Investment Act	17.259		2010-11	1,077,721	1,077,721
				<u>1,077,721</u>	<u>1,077,721</u>
TOTAL U.S. DEPARTMENT OF LABOR				<u>1,134,130</u>	<u>1,134,130</u>
U.S. DEPARTMENT OF AGRICULTURE:					
Passed through Oregon State Department of Education:					
National School Lunch Program - Breakfast	10.553	3408001	2010-11	1,105,632	1,105,632
National School Lunch Program - Lunch	10.555	3408001	2010-11	4,576,061	4,576,061
National School Lunch Program - Snack	10.555	3408001	2010-11	50,218	50,218
USDA - Commodities	10.555	3408001	2010-11	547,035	547,035
Summer Food Service Program for Children	10.582	3408001	2010-11	211,434	211,434
TOTAL U.S. DEPARTMENT OF AGRICULTURE:				<u>6,490,380</u>	<u>6,490,380</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 27,566,990</u>	<u>27,566,990</u>

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December 19, 2011

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

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

We have audited the financial statements of Hillsboro School District No. 1J as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined below. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in the schedule of findings and questioned costs beginning on page 105.

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

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



PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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December 19, 2011

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

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

Compliance

We have audited the compliance of Hillsboro School District No. 1J with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The major federal programs are identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the major federal programs is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of compliance with those requirements.

In our opinion, Hillsboro School District No. 1J complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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


PAULY, ROGERS AND CO., P.C.

HILLSBORO SCHOOL DISTRICT NO. 1J
WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(s) indentified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Any GAGAS findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 513(d)(2)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(s) indentified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditors’ report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 510(a)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM CLUSTER</u>
84.394	State Fiscal Stabilization Fund ARRA
17.259	Workforce Investment Act Youth Activities
84.010 & 84.389	Title I, Part A Cluster
84.027, 84.173 & 84.391	Special Education Cluster
10.553, 10.555 & 10.559	National School Lunch Program Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$827,010	
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

HILLSBORO SCHOOL DISTRICT NO. 1J
WASHINGTON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

2011-FS-1

Condition: During our testing, we noted that a number of bank reconciliations do not contain documentation of the preparer, the preparation date, the reviewer or the review date.

Criteria: Proper controls should to be implemented so that all bank reconciliations are completed in a timely manner and reviewed by someone independent of the preparation for accuracy and completeness. Clear dates of bank statement preparation and review should also be documented.

Effect: Without adherence to the controls or procedures in place to ensure bank reconciliations are completed and reviewed in a timely manner, the likelihood of an error or irregularity existing and not being detected could result in a material misstatement of the financial statements.

Cause: Insufficient resources appeared to be allocated to the monitoring of the bank reconciliation process.

Recommendations: We recommend that all bank reconciliations be completed within a reasonable amount of time from receiving the bank statement and that an independent review be performed for accuracy and completeness and be documented.

View of Responsible Officials and Planned Corrective Action: The Internal Controls of the District currently require timely review of bank accounts by the CFO or designee. During the course of the 2010-2011, the review process fell behind schedule to due staff attrition. It is the intent of management to provide resources that ensure these Internal Controls are implemented with a monthly checklist of best practices that include cash flow and reconciliation review prior to the monthly financial reports to the Board.

2011-FS-2

Condition: The financial statements are the responsibility of management. This includes ensuring that all accounts are reconciled prior to final audit fieldwork; however, we noted that payroll liabilities were not properly reconciled prior to final audit fieldwork.

Criteria: A proper system should be in place and monitored to ensure that all accounts are reconciled and schedules are prepared adequately prior to final audit fieldwork.

Effect: Without a proper system in place to ensure that all accounts are reconciled, there exists the likelihood of material misstatement in the financial statements.

Cause: Insufficient resources appear to be allocated to reconciling accounts at year end.

Recommendations: We recommend that management and the board develop a policy to ensure that all accounts are reconciled prior to final audit fieldwork.

View of Responsible Officials and Planned Corrective Action: It is standard practice for the District to reconcile all payroll liabilities prior to audit field work. During the course of the 2010-2011, the reconciliation of payroll liabilities fell behind schedule to due staff attrition. It is the intent of management to provide resources that ensure payroll liability reconciliation is complete prior to scheduled audit field work.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None Reported.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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