

# **Hillsboro School District 1J 2017 Capital Project Bond Audit Report**

## **Fiscal Years**

**July 1, 2017 through June 30, 2018**

**July 1, 2018 through June 30, 2019**



**HILLSBORO SCHOOL DISTRICT 1J**

Washington County, Oregon

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## **INTRODUCTION AND EXECUTIVE SUMMARY**

### **Audit Purpose**

In November 2017, the community authorized Hillsboro School District 1J to sell bonds in the amount of \$408,000,000 for Capital Improvements. In order to provide a high level of transparency and confidence, the Board of Directors requested an internal review of controls and transactions. This report documents the review as well as a third party opinion by Moss Adams LLC. The review period covers two fiscal years, from July 1, 2017-June 30, 2019.

### **Management, Comprehensive Annual Financial Report, and Internal Controls**

In addition to the bond fund specifics herein, all balance sheet, revenue, and expense transactions were subject to the standard annual testing procedures conducted by the district's independent audit firm, Grove, Mueller, Swank, P.C. The annual audit is conducted per policy [DIE- Audits](#) and the Comprehensive Annual Financial Reports are available by request and on the [district website](#).

### **Notes on Financial Information**

In order to align with federal bond exemption rules, the bond authorization was separated into two bond sales. The first was immediately after the passage of the bond vote in November 2017 in the amount of \$268.4 million. The bonds earned \$51.6 million in premium during the sale and are estimated to bring an additional \$10.8 million in interest earnings.

By June 30, 2018, \$19.7 million had been expended for related items and there was a balance of \$302.2 million going forward.

From July 2018 through June 2019, \$87.2 million was expended on projects, leaving a balance of \$223.5 million into the next fiscal year.

The second bond sale for the remaining authorization of \$139.5 million occurred in February of 2020, weeks prior to the COVID 19 pandemic outbreak in Oregon. Although the district received a single downgrade from Moody's, the bonds earned \$28.5 million in premium and is estimated to yield \$3.1 million in interest. (The district has engaged with Arbitrage Compliance Specialist in order to plan for a potential of higher interest earnings than costs, triggering a tax obligation.)

Please visit the [bond website](#) for additional project information and contact [Michelle Morrison](#), Chief Financial Officer with questions regarding this report.

**Auditor Information**  
**Engagement Letter**



November 8, 2019

Jeff Jones, Manager of Business Services  
Hillsboro School District 1J  
3083 NE 49th Place  
Hillsboro, OR 97124  
Re: Examination Services

Dear Jeff,

Thank you for the opportunity to provide services to Hillsboro School District 1J. This engagement letter ("Engagement Letter") and the attached Professional Services Agreement, which is incorporated by this reference, confirm our understanding of the terms and objectives of our engagement, and limitations of the services that Moss Adams LLP ("Moss Adams," "we," "us," and "our") will provide to Hillsboro School District 1J ("you," "your," and "District"). Scope of Services – Examination Services

We will examine the assertion of the District that its bond proceeds were expended for the types of projects summarized in bond measure #34-278 ("Attachment A") for the period November 7, 2017 through June 30, 2019 (the "Assertion"). These projects are safety improvements (seismic, safety, security upgrades), repairs, replacements, and addressing overcrowding (mechanical, electrical, plumbing, hardscape, and roofing upgrades; replace Brookwood Elementary; improvements and expansion to existing schools; new elementary gymnasiums; drop-off safety improvements; playground, athletic field and other improvements), plan for future growth (two elementary schools and transportation/maintenance facility), learning environments (classroom and technology upgrades; job training, infrastructure, and equipment), and furnishing, equipping, and issuance costs. Our examination will be conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Accordingly, it will include tests of your records and other procedures we consider necessary to enable us to express an opinion in a written report about whether the Assertion is fairly stated, in all material respects. If, for any reason, we are unable to complete the examination, we will not issue a report as a result of this engagement.

Because of the inherent limitations of an examination engagement, together with the inherent limitation of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with attestation standards.

As a condition of our engagement, District management acknowledges and understands that it is responsible for the preparation and fair presentation of the Assertion and the accuracy and

completeness of that information. District management agrees that as a condition of our engagement District management will provide us with:

- Access to all information of which District management are aware that is relevant to the measurement, evaluation or disclosure of the Assertion;
- Access to additional information that we may request from District management for the purpose of the engagement; and
- Unrestricted access to persons within the appropriate party (ies) from whom we determine it necessary to obtain evidence.

We may advise you about appropriate criteria or assist in the development of the Assertion, but the responsibility for the Assertion remains with you.

At the conclusion of our engagement, we will require a representation letter from management that, among other things, will confirm management's responsibility for the Assertion.

### **Timing**

Ashley Osten is responsible for supervising the engagement and authorizing the signing of our report. We expect to begin fieldwork on approximately January 6, 2020, complete fieldwork on approximately January 10, 2020, and issue our report no later than January 31, 2020. If unforeseen difficulties occur which make meeting the January 31, 2020 date improbable, we will inform you immediately. Our ability to meet these targets will be dependent, in part, on the level of preparation and cooperation by your staff.

Our scheduling is based on your completion of the documents requested by Moss Adams. Efficient use of our staff benefits both you and Moss Adams, allowing for timely completion of our work. We may experience delays in completing our services due to your staff's unavailability or delays in your completing the documents requested by Moss Adams. We will work with you to coordinate completion of our work, realizing that any such delays will also delay completion of our work and the delivery of our work product. You understand our fees are subject to adjustment if we experience delays in completing our services. Our services will be concluded upon delivery to you of our examination report.

### **Fees**

We estimate that our fees for these services will be \$20,000. You will also be billed for expenses.

The fee estimate is based on anticipated cooperation from your personnel, the expectation that the District's records will be in good order, and the assumption that unexpected circumstances will not be encountered during the completion of the examination. If we find that significant additional time is likely to be necessary, we will attempt to discuss it with you and arrive at a new fee estimate before we incur significant additional fees or expenses.

In addition to fees, we will charge you for expenses. Our invoices include a flat expense charge, calculated as five percent (5%) of fees, to cover expenses such as copying costs, postage, administrative billable time, report-processing fees, filing fees, and technology expenses. Travel

expenses and client meals/entertainment expenses will be billed separately and are not included in the 5% charge.

This Engagement Letter and attached Professional Services Agreement constitute the entire agreement (the “Agreement”) and understanding between Moss Adams and the District. The District agrees that in entering into this Agreement it is not relying and has not relied upon any oral or other representation, promise or statement made by anyone, which is not set forth herein.

We appreciate the opportunity to be of service to you. If you agree with the terms of our engagement as set forth in this Agreement, please sign the enclosed copy of this Engagement Letter and return it to us with the Professional Services Agreement.

Very truly yours,

Ashley Osten, Partner, for  
Moss Adams LLP

## Representative Letter



January 31, 2020

Moss Adams LLP  
805 SW Broadway, Suite 1200  
Portland, OR 97205

We are providing this letter in connection with your examination of our assertion that the District's bond proceeds were expended for the types of projects summarized in bond measure #34-278 for the period November 7, 2017 through June 30, 2019.

We confirm that, to the best of our knowledge and belief, having made such inquiries, as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

1. All bond expenditure transactions have been properly recorded in the accounting records and were provided to you without adjustment.
2. All relevant matters are reflected in the information provided to evaluate the assertion.
3. We confirm all known matters contradicting the assertion and any communication from regulatory agencies or others affecting the bond expenditures or management's assertion that the District's bond proceeds were expended for the types of projects summarized in bond measure #34-278 for the period November 7, 2017 through June 30, 2019 have been disclosed to you, including communications received between June 30, 2019 and the date of this letter.
4. We acknowledge our responsibility for our assertion that the District's bond proceeds were expended for the types of projects summarized in bond measure #34-278 for the period November 7, 2017 through June 30, 2019.
5. We confirm that any known events subsequent to June 30, 2019 that would have a material effect on management's assertion have been disclosed to you.



6. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the examination of our assertion such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the examination;
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain evidence.
7. We have disclosed to you:
  - a. All deficiencies in internal control relevant to our examination engagement of which you are aware;
  - b. Knowledge of any actual, suspected, or alleged fraud or noncompliance with laws and regulations affecting the subject matter; and
8. For those employees that have been paid from bond proceeds, we evaluated the duties performed and believe they comply with the District's time study performed as well as the types of projects summarized in bond measure #34-278.
9. For all substitute teachers that were funded from bond proceeds, we have evaluated the duties performed by the teacher for whom the substitute replaced and verified the duties performed were in accordance with the types of projects summarized in bond measure #34-278.



Adam Stewart, Capital Projects Officer



Jeff Jones, Manager of Business Services



## **Auditor's Report**



### **Report of Independent Accountants**

To the Board of Directors  
Hillsboro School District 1J

We have examined Hillsboro School District 1J's (the District's) assertion that its bond proceeds were

Expended for types of projects summarized in bond measure #34-278 for the period November 7, 2017 through June 30, 2019 (the Assertion). The District's management is responsible for the Assertion. Our responsibility is to express an opinion on the Assertion based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that its bond proceeds were expended for types of projects summarized in bond measure #34-278 for the period November 7, 2017 through June 30, 2019 is fairly stated in all material respects.

Moss Adams LLP  
Portland, Oregon  
January 31, 2020

## **Auditor Recommendations**



### **Recommendation**

To the Board of Directors  
Hillsboro School District 1J

We recommend and note that there is room for improvement in the vendor approval process. Currently the system in place begins with Construction Management Administrative Support who receives the W-9 and completes a new vendor request form. This form is sent to Business Office Administrative support to enter into the system. Once the information is entered, there is no way to identify if there was any review of the Business Office Administrative's work. While we understand the Business Office Administrative support individual cannot cut checks, best practice would suggest there be another review of the vendors entered into the system.

Very truly yours,

Ashley Osten, Partner, for  
Moss Adams LLP

### **District Response**

In response to the recommendation, we will be changing our procedures of reviewing and verifying the accuracy of the vendor information. To address this, the Construction Management Administrative Support person will submit a new vendor request, which then is entered by the Business Office Administrative support person. The Construction Management Admin will then review the vendor information before entering any purchase orders.

## **Ballot Title and Resolution**

### **SITUATION**

In order to place the \$408 million bond package on the November 2017 ballot, the School Board must approve an election resolution and a notice of measure election, which includes the ballot caption, question, and summary. These documents must then be filed with the county elections office, no later than September 7. District staff and representatives of the District's bond counsel, bond underwriter, and communications consultant have worked together to ensure that the attached document provides accurate, descriptive information that meets the Secretary of State's criteria. The Board of Directors is being asked to approve these items during the July 31 work session because this is the Board's last meeting prior to the filing deadline for the November 2017 ballot.

### **RECOMMENDATION**

The Superintendent recommends that the Board of Directors approve the election resolution and notice of measure election, including the caption, question, and summary, for the November 2017 bond election.

### **RESOLUTION**

**A RESOLUTION OF HILLSBORO SCHOOL DISTRICT NO. 1J, WASHINGTON, YAMHILL AND MULTNOMAH COUNTIES, OREGON, CALLING A MEASURE ELECTION TO SUBMIT TO THE ELECTORS OF THE DISTRICT THE QUESTION OF CONTRACTING GENERAL OBLIGATION BONDED INDEBTEDNESS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$408,000,000 TO FINANCE CAPITAL COSTS; AND RELATED MATTERS.**

WHEREAS the Board of Directors (the "Board") of Hillsboro School District No. 1J, Washington, Yamhill and Multnomah Counties, Oregon, (the "District") has determined that a need exists for the District to finance capital costs, as more fully described in the notice of measure election attached hereto as Exhibit A (the "Project"), and pay bond issuance costs; and

WHEREAS, in connection with the Project, the District has evaluated the need for safety improvements, the joint funding of safety improvements with other public and private entities, and the funding of safety improvements, in accordance with ORS 332.176; and

WHEREAS the District applied for the Oregon School Capital Improvement Match (the "Match Program") under Senate Bill 447; and

WHEREAS the costs of the Project and issuance costs are estimated to be not more than \$408,000,000 from bond funds; and

WHEREAS the District anticipates incurring expenditures (the "Expenditures") to finance the costs of the Project and wishes to declare its official intent to reimburse itself for any Expenditures it may make from its general funds on the Project from the proceeds of voter-approved general obligation bonds which may be issued as tax-exempt obligations or qualified tax credit bonds; and

WHEREAS ORS 328.205, as amended, subject to voter approval, authorizes the District to contract bonded indebtedness to provide funds to finance the costs of the Project and to pay bond issuance costs;

NOW, THEREFORE, the Board of Directors of Hillsboro School District No. 1J, Washington, Yamhill and Multnomah Counties, Oregon, resolves as follows:

1. The measure election is hereby called for the purpose of submitting to the electors of the District the question of contracting general obligation bonded indebtedness in the name of the District in an amount not to exceed \$408,000,000 (the "Bonds"). Bond proceeds will be used to finance the Project and pay all Bond issuance costs. The Bonds shall mature over a period of not more than twenty-one (21) years from the date of issue and may be issued in one or more series.
2. The measure election hereby called shall be held in the District on the 7th day of November 2017. As authorized by the County Clerks of Washington, Yamhill and Multnomah Counties, Oregon, and the Oregon Secretary of State, the election shall be conducted by mail, pursuant to ORS 254.465 and 254.470.
3. The District authorizes the Chair, Superintendent, Chief Financial Officer (each an "Authorized Representative") or his/her designee to submit the final ballot title and explanatory statement and to take such further action as is necessary to carry out the intent and purposes herein, in compliance with the applicable provisions of law.
4. The Authorized Representative shall cause to be delivered to the Election Officer of Washington County, Oregon (the "Election Officer"), a Notice of Measure Election (the "Notice") in substantially the form attached hereto as Exhibit A, which shall be approved and filed by the Authorized Representative of the District, not later than September 7, 2017 (sixty-one (61) days prior to the election date), and with such changes as may be necessitated in connection with the Match Program.
5. The District hereby declares its official intent, pursuant to Treasury Regulation Section 1.150-2, to reimburse itself with the proceeds of the Bonds for any of the Expenditures incurred by it prior to the issuance of the Bonds.
6. The Authorized Representative is hereby authorized to execute all documents necessary in conjunction with the Match Program.
7. The law firm of Hawkins Delafield & Wood LLP is hereby appointed to serve as Bond
8. Counsel with respect to the issuance of the Bonds. The District will pay the fees and expenses of the Bond Counsel from the Bond proceeds.

ADOPTED by the Board of Directors of Hillsboro School District No. 1J, Washington, Yamhill and Multnomah Counties, Oregon, this 31st day of July 2017.

**Internal Controls and Procedures**  
**General Obligation Bonds System Description**

**Personnel Involved:**

**Secretary to CFO:** Jolene Sauve

**Superintendent:** Mike Scott

**Chief Financial Officer (CFO):** Michelle Morrison

**Capital Projects Officer (CPO):** Adam Stewart

**Manager of Business Services:** Jeff Jones

**Finance Manager – Accounting and Purchasing:** Koral Unger

**Fiscal Planning Specialist:** Christy Woodard

**Accounts Payable Department:**

**Financial Assistant II:** Denise Hess

**Financial Assistant I:** Connie Cannon

**General Accountant:** Pam Gray

**Description:**

Hillsboro School District voters approved a \$408 million bond sale for capital projects. The ballot title describes allowable expenditures from bond sale proceeds, premium, and interest earned. All bond program activities will be coordinated by the Capital Project Officer and transactions will align with normal district controls described in the Procedures and authorized by the Chief Financial Officer.

**Bond Sale**

Voters authorized Hillsboro School District to assess a levy to raise funds required for debt service on General Obligation bonds up to \$408 million for capital improvements, estimated to be \$2.24/\$1,000 AV. According to the project cash flow, the bonds will be sold in two series 1) \$268,395,000 on December 12, 2017, and 2) and \$139,605,000 in 2020.

The cash flow of the December 12th bond sale is as follows:

1. US Bank- General Fund Checking Account
2. LGIP- Bond Fund
3. US Bank- General Fund Checking Account
4. Zion Bank (Investment Account, administered by Government Portfolio Advisors)
5. Umpqua Bank (Contingency Account)

**Cash Flow and Banking**

Cash flows and banking are subject to the standard Procedures for access and reconciliation with an additional layer of oversight by the Capital Project Officer. Requests for payment/transfer are initiated electronically and follow the standard banking workflow. The interest generated from investments (Zions bank) will settle in the US Bank Bond Checking account per the pre-determined investment schedule and guided by the bond investment policy.

**Expenditure Authorization**

All bond-related expenditures are subject to the standard internal controls for similar transactions, with additional oversight of the Capital Project Officer. A separate chart of accounts in fund 417

will be initiated for internal tracking purposes of expenditures. Invoices for bond project expenditures will not be authorized for payment without a specific stamp of approval from the Capital Project Officer or designee.

External bank accounts will be maintained specifically for Bond funds and interfund/banking transactions will be pre-authorized by the Capital Project Officer. Staff positions funded by the bond will be temporary for the duration of the program.

### **Insurance**

The District will obtain an Owner Controlled Insurance Program (OCIP) or “wrap-up program” using bond funds for construction projects. An OCIP, unlike traditional construction insurance coverage, provides eligible participants of a construction project with general liability coverage under one policy.

### **Debt Service**

Debt Service for the bond will be levied annually during the normal budget development process for the upcoming fiscal year. All debt service payments are listed in a Consolidated Debt Service schedule and follow the standard procedures for purchasing expenditures. The district tracks revenue and expenditures for debt service in fund 300.

Code: DFAA  
Adopted: 07/96  
Revised: 04/08

## **Hillsboro School District 1J**

### **Investment Policy – Capital Project Fund**

#### **Scope**

This investment policy applies to activities of the Hillsboro School District with regard to investing the financial assets of the Capital Project Fund.

Funds will be invested in compliance with the provisions of ORS 294.035 through 294.048, ORS 294.125 through 294.155, ORS 294.155, ORS 294.810, and other applicable statutes. Investments will be in accordance with these policies and written administrative procedures. Investment of tax-exempt borrowing proceeds will comply with the "arbitrage" restrictions of Section 148 of the Internal Revenue Code of 1986.

#### **Objectives**

The District's investment objectives are:

1. Preservation of capital and the protection of investment principal;
2. Conformance with federal, state, and other legal requirements;
3. Maintenance of sufficient liquidity to meet operating requirements.

#### **Delegation of Authority**

The Chief Financial Officer (CFO) is designated as the investment officer of the District and is responsible for investment decisions and activities, under the direction of the Superintendent.

#### **Prudence**

The standard of prudence to be used by the investment officer in the context of managing the overall portfolio shall be the prudent investor rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

#### **Investment Diversification**

The CFO will diversify the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

#### **Percent of Diversification by Instrument**

US Treasury Obligations  
(Bills, notes, and bonds)

#### **Maximum Portfolio**

100%



US Government Agency Securities and Instrumentalities of Government- Sponsored Corporations	100%
Certificates of Deposit (CD) Commercial Banks	25%
Certificates of Deposit (CD) Savings and Loan Associations	10%
State of Oregon Investment Pool	100%

### **Diversification by Financial Institutions**

Certificates of Deposit (CDs) - Commercial Banks  
No more than 15 percent of the total portfolio with any one financial institution.

Certificates of Deposit (CDs) - Savings and Loan Associations  
Amount per institution based on capital adequacy guidelines; in any case not to exceed 10 percent of the total portfolio with any one institution.

State of Oregon Investment Pool - State Pool  
With the exception of pass-through funds (in and out within 10 days), no more than \$34 million total or 100 percent of the total portfolio.

### **Investment Maturity**

Investment maturities for the Capital Project Fund shall be scheduled to coincide with projected cash flow needs. Investments, which exceed 18 months, shall be limited to US Treasury Obligations and US Government Agency Securities and Instrumentalities of Government Sponsored Corporations.

### **Qualified Institutions**

The CFO shall maintain a list of all authorized dealers and financial institutions, which are approved for investment purposes. Any firm is eligible to make an application to the investment officer and upon due consideration and approval will be added to the list. Additions or deletions to the list will be made at the director's discretion. At the request of the CFO, the firms performing investment services for the District shall provide their most recent financial statements or Consolidated Report of Condition (call report) for review. At minimum, the CFO shall conduct an annual evaluation of each firm's credit worthiness to determine whether it should be on the authorized list. Securities dealers not affiliated with a bank shall be required to have an office located in Oregon or Washington.

### **Safekeeping and Collateralization**

Investment securities purchased by the District will be delivered by either book entry or physical delivery, and held in third-party safekeeping by a bank designated as primary agent. The trust

department of the bank designated as primary agent will be considered to be a third party for the purposes of safekeeping of securities purchased from that bank. The purchase and sale of securities will be on a payment versus delivery basis. The primary agent shall issue a safekeeping receipt to the District listing a specific instrument, rate, maturity, and other pertinent information.

Deposit-type securities (e.g., certificates of deposit) shall be collateralized through the state collateral pool as required by ORS for any amount exceeding FDIC or FSLIC coverage, recognizing that ORS requires only 25 percent collateral. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

#### **Monitoring and Adjusting the Portfolio**

The investment officer will routinely monitor the contents of the portfolio, the available markets, and the relative values of competing instruments and will adjust the portfolio accordingly.

#### **Internal Controls**

The investment officer shall maintain a system of written internal controls, which shall be reviewed annually by the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, or imprudent actions.

#### **Accounting Method**

Investments will be carried at amortized cost. Gains or losses from investments will be credited or charged to investment income at the time of sale. Premiums or discounts on securities shall be amortized/ accredited over the life of the securities. The District shall comply with Generally Accepted Accounting Principles (GAAP).

#### **Reporting Requirements**

The investment officer shall generate daily and monthly reports for management purposes. In addition, the Board will be provided quarterly reports which will include data on investment instruments being held, as well as any narrative necessary for clarification.

#### **Review and Adoption**

This policy shall be reviewed not less than annually, and shall expire if not readopted annually.

END OF POLICY

#### **Legal Reference(s):**

ORS 294.135a

## **Bond Oversight Committee Information**

### **Purpose**

Over the five years of the Bond, the Citizens' Bond Oversight Committee will convene monthly, or as needed, to review progress on the projects detailed in the Hillsboro School District Bond Measure 34-278. The Committee will review program progress and will monitor program spending and schedules. A written report describing program progress will be prepared quarterly for the Board of Directors and published on the Hillsboro School District website. The Committee also will issue an annual report to the Board, including an overall assessment of the bond projects, schedules, spending trends, and cost projections.

### **Committee Members**

The Citizens' Bond Oversight Committee comprises 10 adult community members and 2 student members. They were appointed to serve by the School Board on March 13, 2018.

- **Chair:** Matthew Buckingham, News Copy Editor, Willamette Week
- **Vice Chair:** Patrick Preston, Public Affairs Manager, City of Hillsboro
- Sonja Ackman, Research Program Manager, OHSU
- Maureen Barnhart, retired
- Peter Brandom, Senior Project Manager, City of Hillsboro
- Matthew Costigan, Senior Project Manager, Washington County
- William Caleb Ford, Assistant Finance Director, Metro
- Holly Robison, homemaker/storyteller
- Jeff Sarafa, Finance Director
- Mia Tognoli, student, Century High School
- Kevin Zuercher, Recreation Supervisor, City of Hillsboro

## **Citizens Bond Oversight Committee Charter**

### **Authorization**

The Hillsboro School District School Citizens Bond Oversight Committee shall be established as an advisory committee to the Board of Directors. All meetings of the Citizen Bond Oversight Committee will be open to the public. Agendas for meetings will be posted at least one week prior to the meeting date and minutes will be available via the Hillsboro School District website.

### **Purpose and Authority**

The purpose and authority of the Oversight Committee is to convene quarterly or as needed to review progress on the projects detailed in the Hillsboro School District Bond Measure 34-278. The Committee will review program progress and will monitor program spending and schedules. A written report describing program progress will be prepared following each Committee meeting. This written report will be shared with the Board of Directors and will be published on the Hillsboro School District website.

### **Estimated Time to carry out oversight**

The oversight committee will have its initial meeting not later than April 6, 2018 and will be dissolved on January 1, 2022, or upon issuance of a final report by the Committee after all projects authorized by the Hillsboro School District Bond Measure 34-278 have been completed, whichever is earlier. Meetings shall be held at a time and location to be determined by the Committee Chair.

### **Membership**

The Oversight Committee shall be composed of not more than 15 at large community members and up to 4 high school students. The District will accept applications for membership beginning January 2, 2018 through February 16, 2018. Members shall be appointed by the Hillsboro School District Board at their March 13, 2018 Regular Board Meeting. The District's Capital Projects Officer and Chief Financial Officer shall serve as ex officio members.

### **Chair and Vice Chair**

The Hillsboro School District Board shall designate one member to serve as Chair and one member to serve as Vice Chair of the Oversight Committee. The Chair shall preside over committee meetings and act as spokesperson for the committee.

### **Annual Report**

The Oversight Committee shall prepare and deliver regular meeting minutes as well as an annual report to the Board of Directors regarding program progress. The annual report shall include an overall assessment of the projects, schedules, spending trends and cost projections to ensure the purpose and promise of the Hillsboro School District Bond Measure 34-278 is fully realized.

## **Annual Reconciliation Review**

### **Bond Funded Positions**

In 2017, Hillsboro School District voters authorized the district to sell \$408.0 million in tax-exempt bonds to fund capital improvements across the district. Allowable expenditures are defined in the Ballot Title (Appendix A).

Due to the broad nature of the ballot title descriptions, there are areas where bond projects and district operations align and may even overlap, specifically in the areas of maintenance and technology. In consultation with both Bond Counsel and the district's independent audit firm, Grove, Mueller & Swank, P.C., an internal district standard has been created to determine whether or not payroll and other expenses may be allowable by the bond fund.

One position specifically named in a complaint to the school board during the course of the school year is the Coordinator of Technology Integration. The position was created to:

- Support investment in technology for the duration of the bond cycle.
- Lead implementation of tech-enhanced leadership, learning and instructional practices K-12.
- Create a culture of tech-support efficiencies in districtwide communications, data systems, and digital resource development.

It is clear that the bond technology purchases required “ancillary support”. However, due to the uniqueness of the position and dynamic nature of the work, an annual review is warranted to reconcile planned activities (budget) vs. actual activities (average hours per week).

The review will include:

- Counsel guidance for eligible expenditures
- Standard for Capital and Operational Expenses
- Job Description Review- alignment of activities to bond
- Interview and Activity Survey- Alano Ciliberto
- Interview and Activity Survey- Travis Reiman
- Interview- Adam Stewart

### **Counsel Guidance**

Components for the “allow ability” of bond expenditures includes capitalization, duration, purpose, and alignment with ballot title.

1. The Oregon Constitution describes what “Capital costs” are eligible to be charged to a bond for school districts:

Section 5. “Capital costs” defined. As used in this Article, “capital costs” means cost of land and of other assets having a useful life of more than one year, including costs associated with acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance, or repair. (Created through H.J.R. 13, 2009 and adopted by the people May 18, 2010)

2. GASB Codification regarding Capital Assets (see Appendix B):

18. Capital assets should be reported at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use.

Ancillary charges include costs that are directly attributable to asset acquisition- such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any.

**Standard checklist for bond-eligible payroll expenses**

Due to the broad scope of the ballot title, the standard below has been developed to determine whether or not payroll or other expenses may be charged to the bond fund. Ideally, this determination would be made in the planning phase (budget) and reviewed for percentage of eligible activity expenses, up to 100%.

<b><u>C</u>apital (Bond Eligible)</b>	<b><u>O</u>perational (Non-bond eligible)</b>
C.1- Activities or services by staff are bond-related and temporary in nature <ul style="list-style-type: none"> <li>• Wages</li> <li>• Associated payroll costs</li> <li>• Related services and supplies</li> </ul>	O.1- Activities or services by staff are permanent or ongoing in nature
C.2- Structural, materials, and real property- per Ballot Title	O.2- Consumable supplies
C.3- Equipment/technology- per Ballot Title <ul style="list-style-type: none"> <li>• Planning and procurement of items</li> <li>• Installation costs</li> <li>• Initial training for use and development of training materials</li> <li>• Development of required systems of support designed to last the life of the asset</li> </ul>	O.3- Continued training for use
C.4- Insurance and legal services for bond related activities	O.4- Periodic reports (used for monitoring or operating systems or equipment)
C.5- Infrastructure, related systems- per Ballot	O.5- Normal maintenance or repair (not

Title	included in Ballot Title)
C.6- Test: What percentage of this (item/cost) is related to bond activities?	O.6- Test: What percentage of this (item/cost) is related to regular operations?

### **Job Description Review- alignment of activities to bond**

Position Title: Coordinator of Bond Technology Integration

Immediate Supervisor: Assistant Superintendent for School Performance, Assistant Superintendent of Academic Services

General Duties: Support investment in technology for the duration of the bond cycle. Lead implementation of tech-enhanced leadership, learning and instructional practices K-12. Create a culture of tech-supported efficiencies in districtwide communications, data systems, and digital resource development.

#### **Required Qualifications:**

- A. A valid State of Oregon Administrative License appropriate for the position
- B. A Master's Degree with preferred emphasis in Education
- C. Two years professional development experience educating licensed staff or other adults in the integration of technology for instruction and productivity using all of the following modes: modeling, one-on-one, small group, or large group
- D. The ability to communicate on technology issues with a high level of effectiveness in terms of customer comprehension and response
- E. The ability to demonstrate effective usage and integration of educational technologies into instruction to groups of individuals both small and large
- F. Understand and apply digital citizenship strategies in the community
- G. The ability to release technology to non-technical users
- H. The ability to follow oral and written instructions
- I. The ability to effectively work and communicate with students, parents, and school personnel from diverse cultures and/or backgrounds
- J. The ability to work harmoniously with others
- K. Proficient oral and written communication skills in English
- L. Proficient in the use of computer and Internet based applications, including but not limited to email and systems applications
- M. The ability to learn new automated systems as they are bought online by the District

Essential Responsibilities (Activities)	% of <u>C</u>	% of <u>O</u>
Lead planning for professional development related to tech-enhanced learning.	100	0



Support Office for School Performance in planning for development of digital resources, including but not limited to curriculum materials, teaching resources, and assessment tools.	75	25
Research current best practices, the future of technology in schools and make recommendations to district and Bond leadership groups.	100	0
Support Bond Oversight Committee and District staff in decision-making and monitoring of investments in technology and implementation of best practices in schools.	100	0
Support district administrators, teachers, and classified staff in the use of technology for communications, stakeholder engagement, and efficient workflow.	50	50
Support a district framework for digital citizenship, digital literacy, and best practices for tech-enhanced learning.	100	0
Collaboratively plans staff development opportunities to meet the diverse learning needs of staff as it relates to integrating technology into academic programming for a diverse student population.	100	0
Annually pass the District's required online training by the District's assigned due-date.	NA	NA
Follow site and/or District protocol for reporting absences.	NA	NA
Maintain current licenses and/or certificates required for the position.	NA	NA
Utilize the District's electronic systems and applications related to the job.	NA	NA

This organization believes that every individual makes a significant contribution to our success. That contribution should not be limited to assigned responsibilities. Therefore, this position description is designed to define primary duties, qualifications and job scope but should not limit the incumbent nor the organization to the work identified. It is our expectation that every employee will offer his/her services wherever and whenever necessary to ensure the success of the District's goals.

#### **Interviews and Survey Responses (Position Review- CTI)**

Alano Ciliberto, Coordinator of Technology Integration

Travis Reiman, Assistant Superintendent for Academic Services

On July 5, 2019, Alano responded to the questions in the position review survey via telephone in retrospect of the actual work activities of the 2018-19 year. Travis Reiman completed the survey on July 12. Responses are compiled below.

<b>CTI Essential Responsibilities</b>	<b>Use of Time (AC)</b>	<b>Use of Time (TR)</b>
Lead planning for professional development related to tech-enhanced learning.	Capital 70%, Operational 30%- shifted over time as staff received the equipment. Deployment took longer than originally planned.	100% Capital 0% Operational
Support Office for School Performance in planning for development of digital resources, including but not limited to curriculum materials, teaching resources, and assessment tools.	100%- prepared digital platforms prior to bond tech deployment, then switched to PD development	70% Capital 30% Operational
Research current best practices, the future of technology in schools and make recommendations to district and Bond leadership groups.	75% Capital, 25% Operational- work required to prepare platforms, tech deployment, and PD development	95% Capital 5% Operational
Support Bond Oversight Committee and District staff in decision-making and monitoring of investments in technology and implementation of best practices in schools.	100% Capital	100% Capital 0% Operational
Support district administrators, teachers, and classified staff in the use of technology for communications, stakeholder engagement, and efficient workflow.	100% Capital	100% Capital 0% Operational
Support a district framework for digital citizenship, digital literacy, and best practices for tech-enhanced learning.	100% Capital- would not be required without bond tech purchases	95% Capital 5% Operational
Collaboratively plans staff development opportunities to meet the diverse learning needs of staff as it relates to integrating technology into academic programming for a diverse student population.	90% Capital, 10% Operational- worked with other curriculum leaders to integrate bond tech into curriculum delivery. Could be also used on non-bond devices.	100% Capital 0% Operational

Comments: Much of the work is aligned with initiatives that may be operationalized over time. Definite impact on user access, administrative leadership, and integration of instructional technology in schools.

### **Interview- Adam Stewart, Capital Projects Officer**

Adam Stewart, Chief Capital Projects Officer recommended reviewing all bond positions and verifying with each person their actual time spent on bond work for possible reclassification. He could not offer assurance on the percentage of CTI position activities that could be capitalized under the bond program.

### **Annual Reconciliation of Bond Positions**

Below is the first of ongoing annual review for all bond-funded positions to reconcile the planned payroll expense against actual activities. This documentation will be used for year-end reclassification of FTE payroll and associated expenses.

Other supplemental and extra duty expenses are authorized by the Capital Projects Officer on an “as needed” basis. Extra help is occasionally needed due to bond work. To date this extra help has been used for clerical help with the badging of contractors, moving of furniture, locking and unlocking school sites during the summer and other miscellaneous work. Two former HSD administrators are engaged to assist with communication between buildings undergoing construction and construction management office.

<b>Name</b>	<b>Position</b>	<b>Budget</b>	<b><u>Verification Date</u></b>	<b>Actual</b>	<b>FTE Change</b>
Adam Stewart-113	Capital Project Officer	100%	7/9/19	100%	1.0-1.0=0.0
Jim Peterson-113	Construction Coordinator	100%	7/9/19	100%	1.0-1.0=0.0
Sharon McCarty-112	Construction Mgmt Admin Support	100%	7/9/19	100%	1.0-1.0=0.0
Don Wolff/Jordan Beveridge-113	Chief Information Officer	50%	7/17/19	30%	0.5-0.3=0.2
Casey Waletich-113	Chief Operations Officer	20%	7/9/19	45%	0.2-0.45=-0.25
Jane Siguenza-114	Bond Marketing Specialist	100%	7/9/19	92.5%	1.0-0.925=0.725
Tiffany McGowen-112	Financial Asst 1	25%	7/10/19	62.5%	0.25-0.625=-0.425

Alano Ciliberto-113 <a href="#">(Worksheet)</a>	Coordinator Bond Tech Integration	100%	7/17/19	91.43 %	$1.0 - .9143 = 0.0857$
Claudia Mendoza-114	CTE Secretary	80%	N/A	80.0%	$0.8 - 0.8 = 0.0$
Edward Buck-112	Maint 3, Carpenter	100%	7/10/19	95.0%	$1.0 - 0.95 = 0.05$
Fred Kuest-114	Public Safety Systems Specialist	100%	7/9/19	87.5%	$1.0 - .0875 = 0.125$
Project Liaisons	Ted Zehr/Grant Corliss	100%	7/9/19	100%	Hourly, no change

**Revenues**

**2017-18 Revenues**

		<u>Total</u>
<b>REVENUES:</b>		
<b>Revenue from local sources:</b>		
1500	Earning on investments	\$ 241,147
<b>Total revenue from local sources</b>		<u>241,147</u>
<b>Revenue from other sources:</b>		
5110	Bond Proceeds	319,995,506
5400	Resources - beginning fund balance	-
<b>Total revenue from other sources</b>		<u>319,995,506</u>
<b>TOTAL REVENUES</b>		<u><u>\$ 320,236,653</u></u>

**2018-19 Revenues**

		<u>Total</u>
<b>REVENUES:</b>		
<b>Revenue from local sources:</b>		
1500	Earning on investments	\$ 7,739,993
1960	Recovery of prior year	951,038
<b>Total revenue from local sources</b>		<u>8,691,031</u>
<b>Revenue from other sources:</b>		
5110	Bond Proceeds	-
5400	Resources - beginning fund balance	301,846,272
<b>Total revenue from other sources</b>		<u>301,846,272</u>
<b>TOTAL REVENUES</b>		<u><u>\$ 310,537,303</u></u>

## Expenditures

		2017-18 Expenses						
		Salaries Object 100	Associated Payroll Costs Object 200	Purchased Services Object 300	Supplies & Materials Object 400	Capital Outlay Object 500	Other Object 600	Total
EXPENDITURES:								
Support services								
2660	Technology	\$ 48,005	\$ 15,467	\$ -	\$ -	\$ -	\$ -	\$ 63,472
Total support services		48,005	15,467	-	-	-	-	63,472
Facilities acquisition & construction								
4150	Building acquisition, construction, & improvement services	219,905	105,052	6,099,441	308,847	4,262,226	3,153,778	14,149,249
4180	Other Capital Purchases	645	191	530,650	3,646,175	-	-	4,177,661
Total facilities acquisition & construction		220,550	105,243	6,630,091	3,955,022	4,262,226	3,153,778	18,326,910
TOTAL EXPENDITURES		\$ 268,555	\$ 120,710	\$ 6,630,091	\$ 3,955,022	\$ 4,262,226	\$ 3,153,778	\$ 18,390,382

		2018-19 Expenses						
		Salaries Object 100	Associated Payroll Costs Object 200	Purchased Services Object 300	Supplies & Materials Object 400	Capital Outlay Object 500	Other Object 600	Total
<b>EXPENDITURES:</b>								
<b>Support services</b>								
2660	Technology	\$ 79,455	\$ 25,457	\$ -	\$ -	\$ -	\$ -	\$ 104,912
<b>Total support services</b>		79,455	25,457	-	-	-	-	104,912
<b>Facilities acquisition &amp; construction</b>								
4150	Building acquisition, construction, & improvement services	725,027	344,679	17,671,556	297,044	55,014,019	3,031,975	77,084,300
4180	Other Capital Purchases	4,477	389	944,632	3,021,855	5,674,877	7,500	9,653,730
<b>Total facilities acquisition &amp; construction</b>		729,504	345,068	18,616,188	3,318,899	60,688,896	3,039,475	86,738,030
<b>TOTAL EXPENDITURES</b>		<b>\$ 808,959</b>	<b>\$ 370,525</b>	<b>\$ 18,616,188</b>	<b>\$ 3,318,899</b>	<b>\$ 60,688,896</b>	<b>\$ 3,039,475</b>	<b>\$ 86,842,942</b>