



# HOOD RIVER COUNTY SCHOOL DISTRICT

*Excellence. Every student. Every day.*

## Financial Report as of June 30, 2018 & October 31, 2018

The financial report, Summary of Revenue and Expenditures dated June 30, 2018 and October 31, 2018, is organized by fund and function with budget variances as of June 30, 2018 and for the current year to date through October 31, 2018. For prior years 2015-16 and 2016-17, the data represents final audited financial data. For 2017-18 and 2018-19, the report includes the adopted budget and the current budget as amended. Encumbrances and year-to-date actuals follow in the next two columns with variances and percent of budget. The 2017-18 financial data is considered draft until final transactions and audit adjustments are completed to finalize the general fund debt service and unemployment reserve fund.

**General Fund.** The Summary of Revenue and Expenditures provides year-to-date financial data as follows. The first report view on pages 1-2:

- summarizes General Fund operating revenues and groups revenue into State School Fund Formula Resources, Local Option Revenues, Education Service District Revenues and other local, state and federal revenues;
- summarizes expenditures or operating requirements by function category;
- includes a section of other financing sources and uses; and
- shows a net change in fund balance, beginning and ending fund balance.

The next report view on page 3 provides expenditures summarized by object classification.

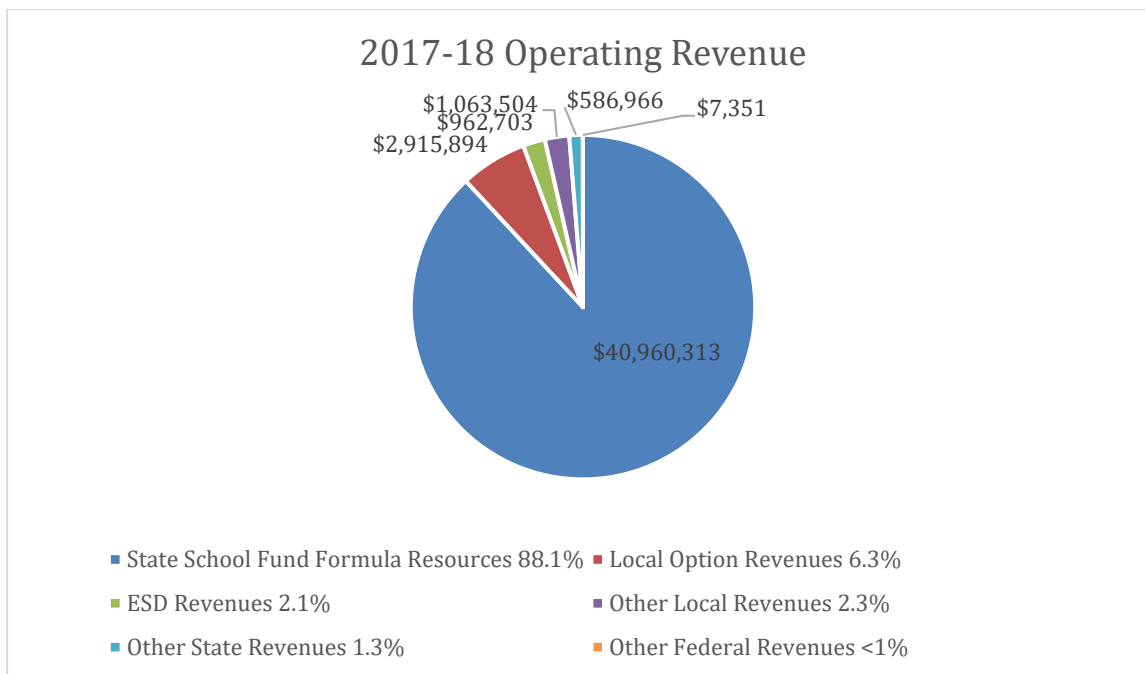
### General Fund Summary

**Total Operating Revenue.** For 17-18, total operating revenue is \$46,496,731 as of June 30, and represents 101% of the budget, as shown on page 1.

**State School Fund Revenues.** Of the total operating revenue, \$40,960,313 or 88.1% is from State School Fund formula revenue resulting in a positive variance of \$357,977 or 1%. The collection of current and prior years' property taxes resulted in a small unfavorable variance of \$7,458. The unfavorable variance of Common School Fund revenue of \$104,079 was more than offset by the receipt of Federal Forest Fees of \$133,271.

**Local Option Revenues.** Local option revenues are from local option levy property tax receipts and the Local Option Equalization grant totaling \$2,915,894 and represents 6.3% of total operating revenue.

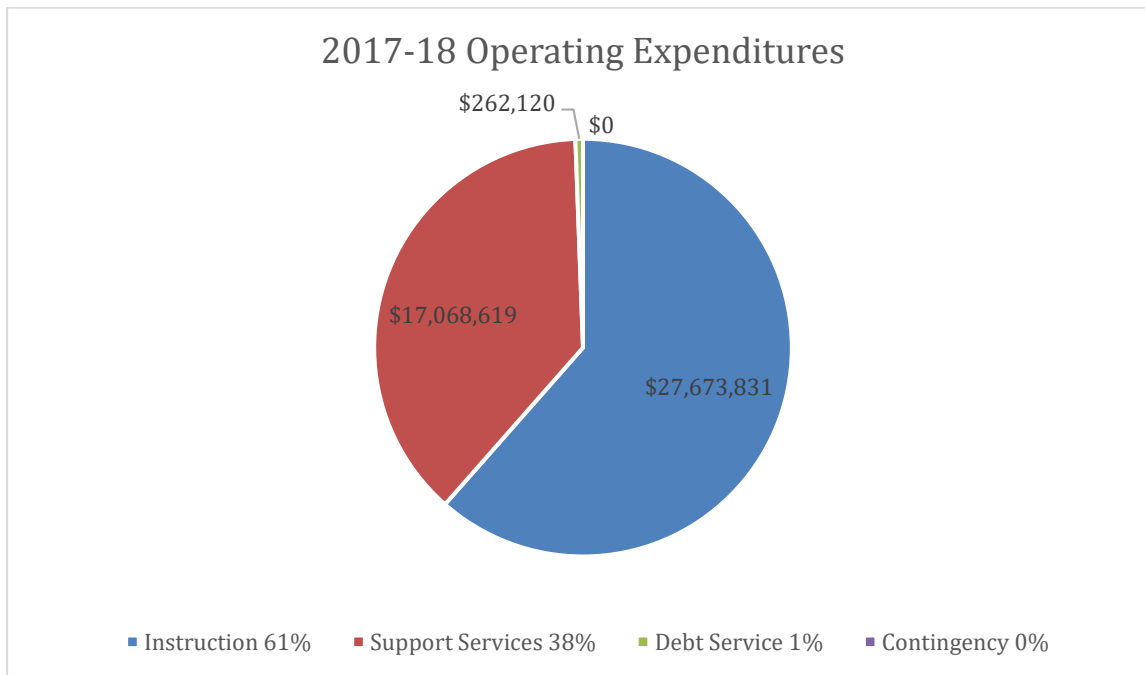
**Other Operating Revenues.** Revenue of \$962,703 or 2.1% of operating revenue is from the CGESD local service plan which reflects local service plan revenue and reduced invoiced services reimbursements for an unfavorable variance of \$574,241. Other federal revenue is from the teen parenting contract based on actual services performed and was \$8,649 less than budgeted. Other local revenue provides a positive variance of \$540,004 from various sources primarily from interest earnings and expense reimbursements and represents 2.3% of operating revenue. Other State revenue is from the long term care and treatment contract and represents 1.3% of operating revenue. The following chart shows the 2017-18 operating revenue by source.



**Total General Fund Operating Requirements.** The total operating requirements budget shown on page 2 is \$47,904,655. Expenditures total \$45,004,570 resulting in a favorable variance of \$2,900,085. Of that variance, \$2,293,997 was already planned for in the 18-19 adopted budget as part of the carryover of ending fund balance. The additional savings of \$911,255 over the adopted beginning fund balance will be used to increase program levels for students (see discussion below under General Fund Balance.)

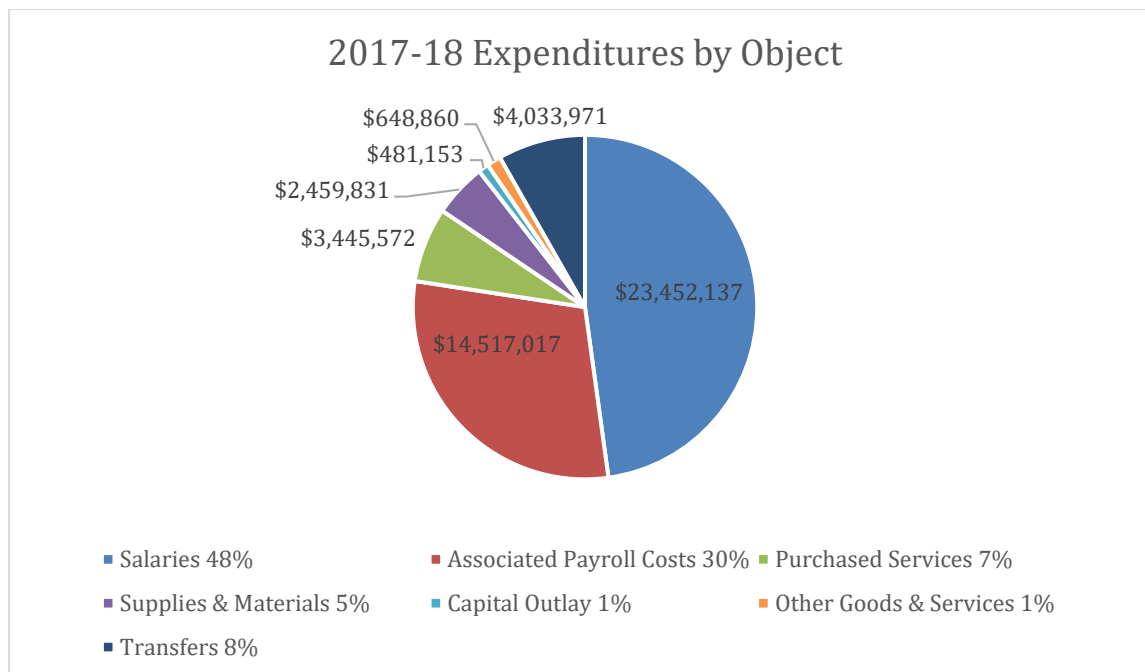
Instruction expenditures of \$27,673,831 are 95% of the \$29,183,732 budget and represent 61% of total operating expenditures. Support Services expenditures of \$17,068,619 are 94% of the \$18,104,655 budget and represent 38% of total operating expenditures. All Debt Service principal and interest payments totaling \$262,120 were made for the year and represent 1% of total operating

expenditures. The Contingency budget balance is \$354,148 of the \$457,000 adopted budget. The following chart shows the 17-18 operating expenditures by category.



The supplemental budget approved in December 2017 included an increase of \$1,000,000 to the Biennial Reserve Fund in part to set aside State School Fund revenue to smooth the distribution of resources from the approved 50%/50% distribution to the normal 49%/51% distribution in the amount of \$814,474 per the most recent SSF estimate and to set aside resources for PERS rate increases. This increased the total of transfers out to \$4,033,971.

Expenditures by year by object classification are shown on pages 3-5. Overall expenditure variances total \$2,900,085 from these objects: \$648,347 of salaries, \$1,286,730 of associated payroll costs, \$244,662 of purchased services, \$358,566 of supplies, \$7,632 of other goods and services and \$354,148 of unspent contingency. The following chart shows 2017-18 expenditures and transfers by object classification totaling \$49,038,542.

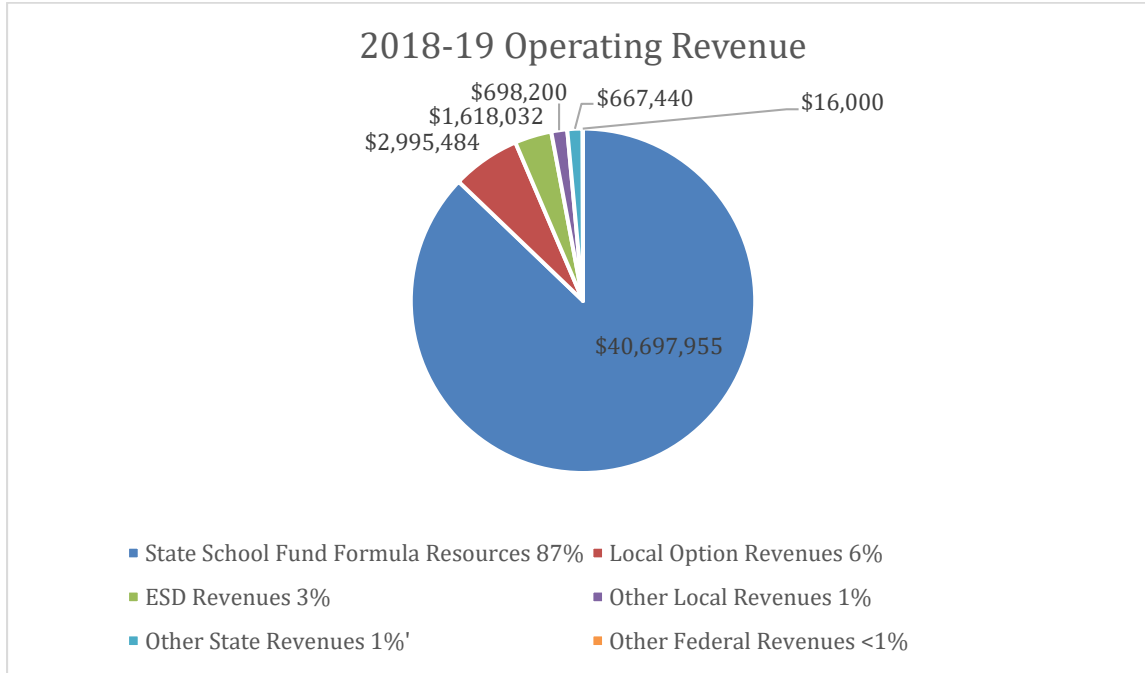


**General Fund Balance.** The District began the year with \$7,975,592 in beginning fund balance which is an increase of \$911,255 over the adopted budget beginning fund balance. Per the budget, we transferred \$3,763,236 of this balance to the Biennial Reserve Fund for future PERS costs. Through an approved supplemental budget, the budget was adjusted to reflect the actual beginning fund balance. The ending fund balance of \$5,443,336 is 11.7% of operating revenue and is 3.7% higher than the Board's goal of 8%. The Board approved a supplemental budget on October 24, 2018, to allocate these funds for 18-19 instructional programs, staffing and support services.

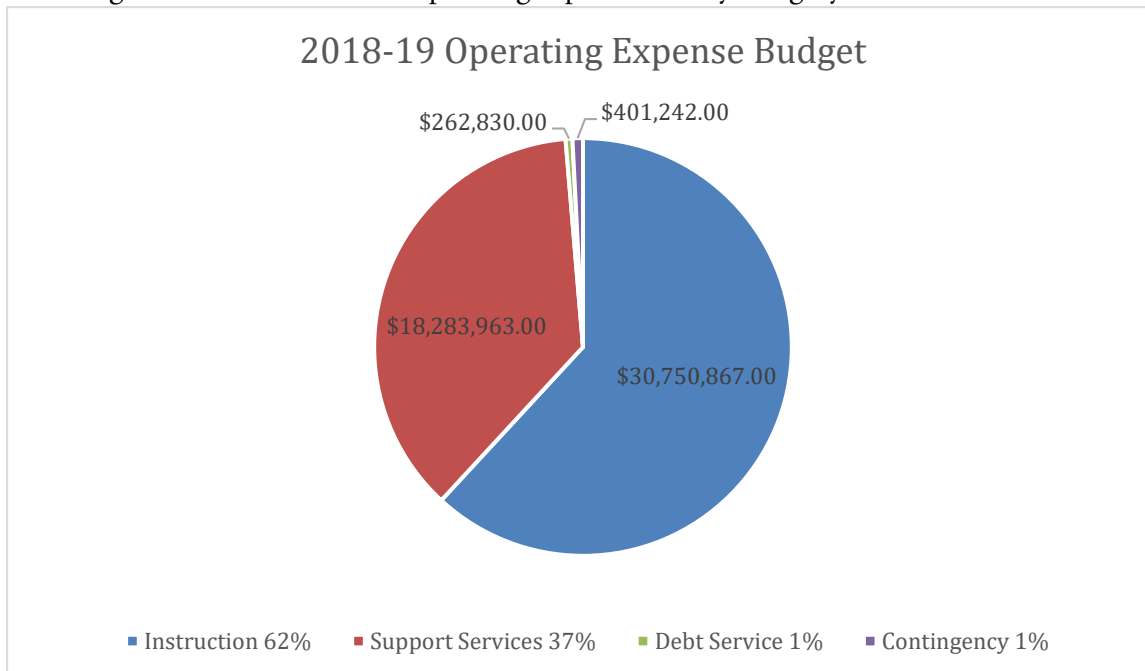
The supplemental budget includes additional spending in classroom instruction for 2.5 FTE licensed elementary teachers to support student enrollment. One new teacher was hired for Mid-Valley Elementary School. Two new teachers were hired for Westside Elementary (0.50 FTE licensed was set aside in the adopted budget for enrollment needs.) One additional classified instructional assistant is planned to meet special education staffing needs. To address district-wide custodial staffing challenges, a new roving position is proposed to backfill custodial position absences. Funding support of .50 FTE for the equity and family partnerships director position will extend the work to support the District's focus on equity. Other proposed changes include support for Options Academy discretionary spending, long term care & treatment contract increase, Fab bus operational expenses, peer collaboration payroll expenses, intervention materials, dual language professional development travel, curriculum, school discretionary spending from prior year savings, professional services including work to occur on school boundary adjustments, payroll benefits, and tuition for bilingual teacher development and support for one classified position to support community education programs.

## General Fund 18-19 Budget Summary

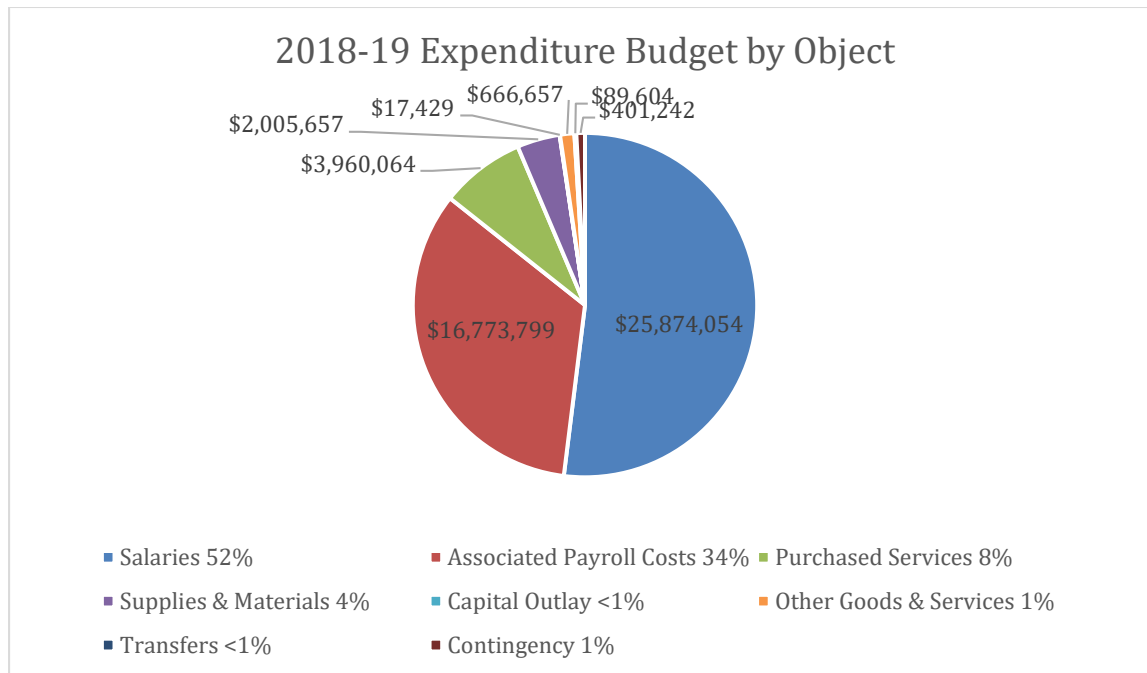
**Total Operating Revenue.** For 18-19, total operating revenue is budgeted to be \$46,693,111 as shown on page 1. The following chart shows the 18-19 operating revenue budget by source.



**Total General Fund Operating Requirements.** For 18-19, the total operating requirements budget is \$49,698,902 as shown on page 2. Of the total, 82% is encumbered or expensed to date. The following chart shows the 18-19 operating expenditures by category.



The following chart shows the 18-19 expenditure budget by object classification.



## Other Funds

**Other Funds.** All other funds are shown beginning on pages 6 through 21 with activity as of June 30, 2018 and through October 31, 2018. Grant Funds 220-299 and the Capital Construction Funds 400-404 are grouped and summarized for this report. The 17-18 beginning fund balances reflect the prior year audited ending fund balances.

**Fund 200 Food Service** – In 17-18, resources from local, state and federal sources total \$1,623,295 and beginning fund balance of \$427,723 support operations of nutrition services. The program operated within its budget with expenses of \$1,566,913, leaving an ending fund balance of \$484,105. In 2018-19, the beginning fund balance budget was adjusted to match actual fund balance and the expenditure budget was increased by \$84,105.

**Fund 204 Student Body Funds** – Student body fund activity is shown as of June 30, 2018, with revenue of \$1,204,827 and expenses of \$1,207,112 and an ending fund balance of \$661,285.

Student Body Funds	Beginning Bal.	Revenue	Expenses	Ending Balances
Elementary Schools	\$138,502	\$205,260	\$203,619	\$140,143
Middle Schools	201,912	138,731	175,827	164,816
High School	323,155	860,836	827,666	356,326
Total	\$663,570	\$1,204,827	\$1,207,112	\$661,285

**Fund 205 Community Education** – In 17-18, the community education program activity reflects a beginning fund balance of \$171,534, revenue of \$1,129,545, expenses of \$1,220,749, and an ending fund balance of \$80,330. The supplemental budget approved in October adjusted the 18-19 beginning fund balance to match the actual fund balance and added an inter-fund transfer from the General Fund to address staffing needs.

**Fund 207 Biennial Reserve Fund** – The 17-18 beginning fund balance is from the District's transfer of \$1,752,011 to establish the fund to set aside funds for state school fund distribution in the second year of the biennium and to set aside funds for upcoming PERS rate increases, as approved by the Board. The budgeted transfer in 17-18 of \$3,763,236 was made from a portion of the General Fund beginning fund balance and from State School Fund revenue. The 17-18 ending fund balance is \$5,515,247. In 18-19, a transfer to the General Fund of \$1,500,000 was completed to provide operational funds per the adopted budget reducing the balance to \$4,015,247. Assuming the 2019 legislature funds schools at the current service levels, the 2019-20 drawdown will be similar plus roll-up costs just to maintain program levels we have today.

Biennial Reserve Fund	15-16	16-17	17-18	18-19	19-21 biennium
Resources from General Fund transfers	\$1,752,011	\$0	\$3,763,236	\$0	\$0
Beginning balance	0	1,752,011	1,752,011	5,515,247	4,015,247
Transfers to General Fund	0	0	0	1,500,000	Estimated 4,015,247
Ending Balance	\$1,752,011	\$1,752,011	\$5,515,247	\$4,015,247	\$0

**Fund 210 Unemployment Reserve** – The Unemployment Reserve Fund 17-18 beginning fund balance of \$293,482 and General Fund inter-fund transfers of \$95,000 provides resources to pay for expenditure activity of the District’s Local Government Benefit Trust Fund and the quarterly unemployment premiums. The pending transaction for this fund is the recording of the 17-18 trust fund activity once the statement is received in November 2018.

**Fund 212 Bus Replacement Fund** – In 17-18, the Bus Replacement Fund accounts for the budgeted transfer of \$150,000 for estimated bus depreciation, beginning fund balance of \$191,459 and expenditure budget of \$288,437 for school bus purchases. One school bus was purchased from this fund for a total of \$123,588 leaving an ending fund balance of \$217,871 to carry forward to fiscal year 18-19.

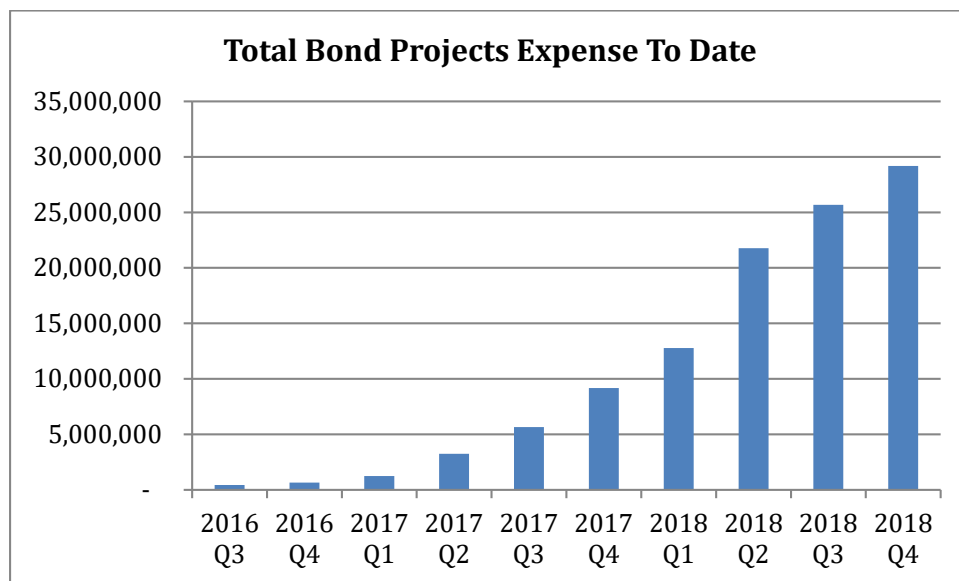
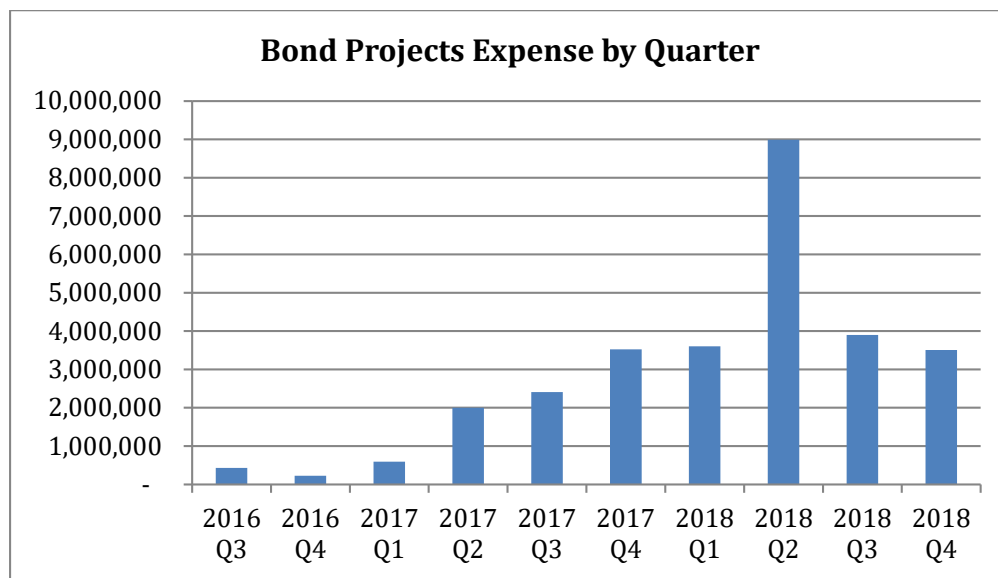
**Funds 220-299 Grant Funds** – In 17-18, Grant Funds revenue and expenditure activity is within budget appropriations with total revenue of \$4,488,743 and expenditures of \$4,223,974. The ending fund balance of \$852,205 is restricted for various contract or grant purposes. The October 31, 2018 report of 18-19 contracts lists Federal and State ODE grants by award. A second supplementary report shows all other contributions and grant accounts listing the title and administrator or person responsible for managing the funds.

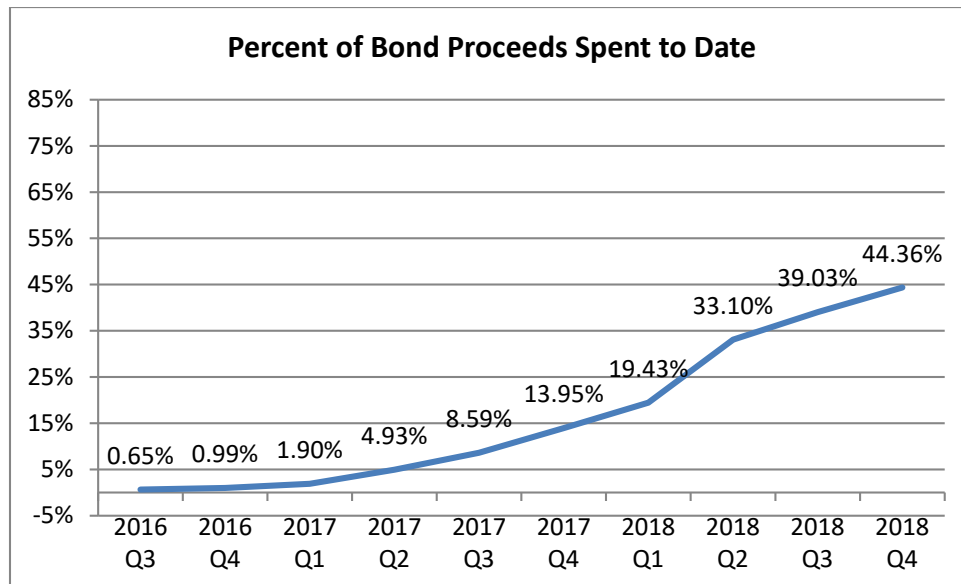
**Fund 300 Debt Service** – The Debt Service Fund beginning fund balance for 17-18 is \$229,546. For 17-18, total revenue of \$4,201,028 is from current and prior years’ property tax revenue. Beginning fund balance and property tax revenue are both used to offset property tax levies. Budgeted expenditures of \$4,171,950 include the semi-annual interest payments of general obligation bonds and the annual principal payments due in June. All debt service principal and interest payments met the required semi-annual due dates. In 18-19, the debt service principal and interest payments will be \$4,285,750.

**Funds 4XX Capital Construction Funds** – In 17-18, the summary of all capital construction funds shows a beginning fund balance of \$65,235,997, total revenue of \$5,837,944 and total expenditures of \$23,259,630 with an ending fund balance of \$47,814,311. The capital projects funds are reported on pages 15-21.

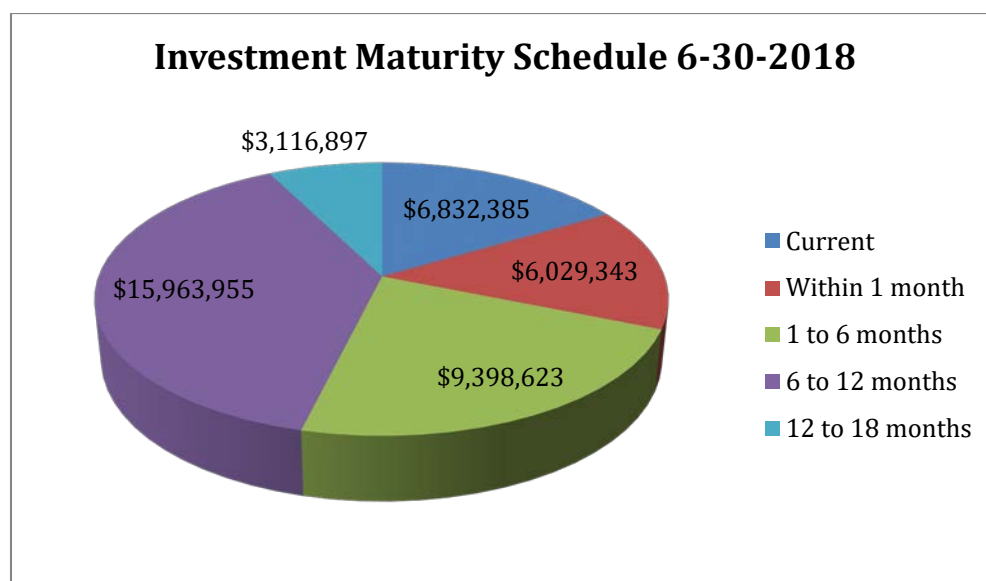


- Fund 400 Capital Construction Bond Fund resources include the balance of proceeds of the 2016 G.O. Bonds, investment earnings and other revenue. The District must spend 85% of the 2016 bond proceeds by the end of 36 months from the bond sale closing date of September 13, 2016. A total of \$3,244,594 was spent in 16-17. In 17-18, expenditures total \$18,528,620. In 18-19, expenditures total \$7,406,554. For the overall project to date through October 31, the District has spent \$29,179,768 equal to 44.36% of bond proceeds to support capital construction and improvements as shown in the following charts. Capital projects schedules support meeting the 85% spending requirement within 36 months by September 13, 2019.

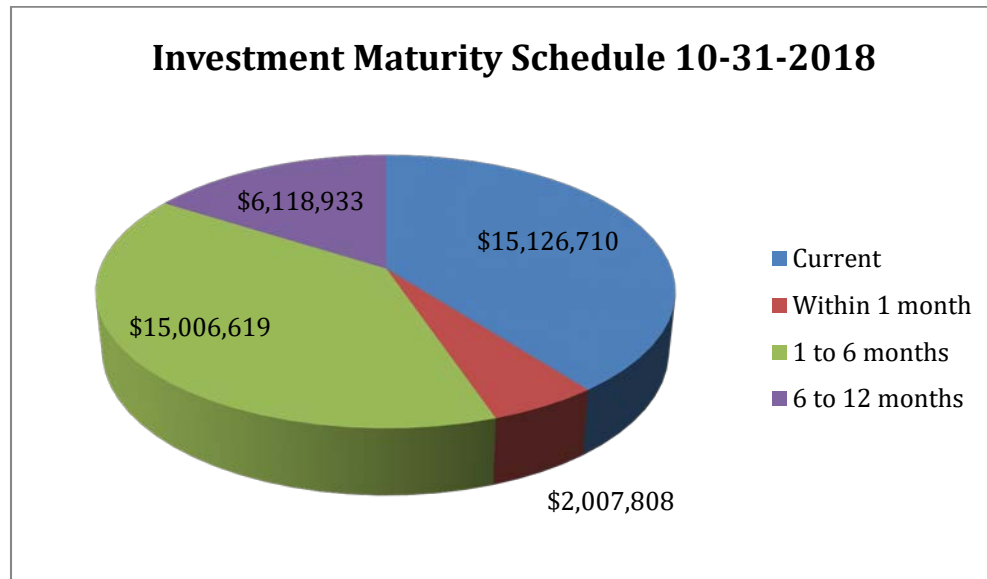




As of June 30, 2018, the fair value of cash in the Oregon State Treasurer's Local Government Investment Pool is \$6,832,385. The fair value of investments in U.S. Government and U.S. Agency securities is \$34,508,818, with varying yields and maturities dated through August 28, 2019, as shown on the following chart. Investments mature across the capital projects schedule to provide liquidity to pay capital project expenditures.



As of October 31, 2018, the fair value of cash in the Oregon State Treasurer's Local Government Investment Pool is \$15,126,710. The fair value of investments in U.S. Government and U.S. Agency securities is \$23,133,360, with varying yields and maturities dated through August 28, 2019 as shown on the attached investment report and the following chart.



- Fund 401 Construction Excise Tax Fund resources for 17-18 include receipts of \$382,289 and a beginning fund balance of \$1,350,921 for future development with an ending fund balance of \$1,733,210. Estimated resources for 18-19 include revenue of \$350,000 and the beginning fund balance of \$1,733,210. Resources are dependent on the amount of school construction excise tax received by the District and will vary depending on the level of construction activity within the county.
- Fund 402 Energy Projects Fund accounts for the District's SB 1149 resources and expenditures with an ending fund balance of \$15,903 in 17-18. The current balance of this fund are for reimbursements to the District for past energy projects and \$392,703 was transferred out of this fund to fund capital improvements in 17-18. In 18-19, inter-fund transfers are budgeted to move \$83,539 of budgeted revenue to Fund 400 for capital improvements. Our project management team is working with the Oregon Department of Energy regarding future qualifying energy projects related to the bond program for future reimbursements.
- Fund 403 Property Fund is budgeted to provide resources to cover the future construction costs of the District's requirement to provide the street extension to the District's undeveloped property estimated to be approximately half of the fund balance of \$735,568. The \$35,000 purchase of the county parcel for the Wy'east Middle School property line adjustment will be paid in 18-19 from this fund.

- Fund 404 Seismic Projects Fund accounts for the state seismic projects grants in the amount of \$898,400 for Hood River Middle School (HRMS) completed in 17-18, in the amount of \$1,335,500 for Wy'east Middle School completed in 18-19, and in the amount of \$2,038,921 for Mid Valley Elementary School started in 2018-19. A total of \$88,092 was expended in 16-17 for the HRMS seismic rehab project. For 17-18, grant award expenditures total \$1,323,058. For 18-19, grant award expenses to date total \$57,825. The following table summarizes the Seismic Grant Awards and expenses to date.

Project sites	Award	Expenses	Balance
Hood River Middle School	\$898,400	\$811,525	\$86,875
Wy'east Middle School	\$1,335,500	\$657,450	\$678,050
Mid-Valley Elementary School	\$2,038,921	0	\$2,038,921
Total	\$4,272,821	\$1,468,975	\$2,803,846

- Fund 405 accounts for the Oregon Schools Capital Improvement Matching Program grant award of \$4,499,478. A total of \$1,089,559 was expended in 2016-17. For 17-18, grant expenses total \$3,015,248. Project to date expenses are \$4,104,807 equal to 91% of the grant award. This grant is designated by the District for capital improvements at Hood River Middle School with the remaining balance for other school capital projects after the HRMS project is completed.

**Summary of Inter-Fund Transfers** – A summary of inter-fund transfers is shown on page 22. Transfers for 17-18 include the budgeted transfers from the General Fund to the Biennial Reserve Fund in the amount of \$3,763,236; to the Bus Replacement Fund in the amount of \$150,000; to the Unemployment Fund in the amount of \$95,000; and to the Grants fund of \$25,735. A transfer within the Capital Projects Fund was made from sub-fund 402 to sub-fund 400 in the amount of \$392,703.

### **Annual Audit**

The District's external auditors from Pauly Rogers and Co, P.C. were in the district during the week of October 22 for the second site visit for fieldwork before preparation of the District's financial statements for the year ended June 30, 2018. The District's Comprehensive Annual Financial Report will be completed by December 31, 2018 in compliance with State audit submission deadlines.

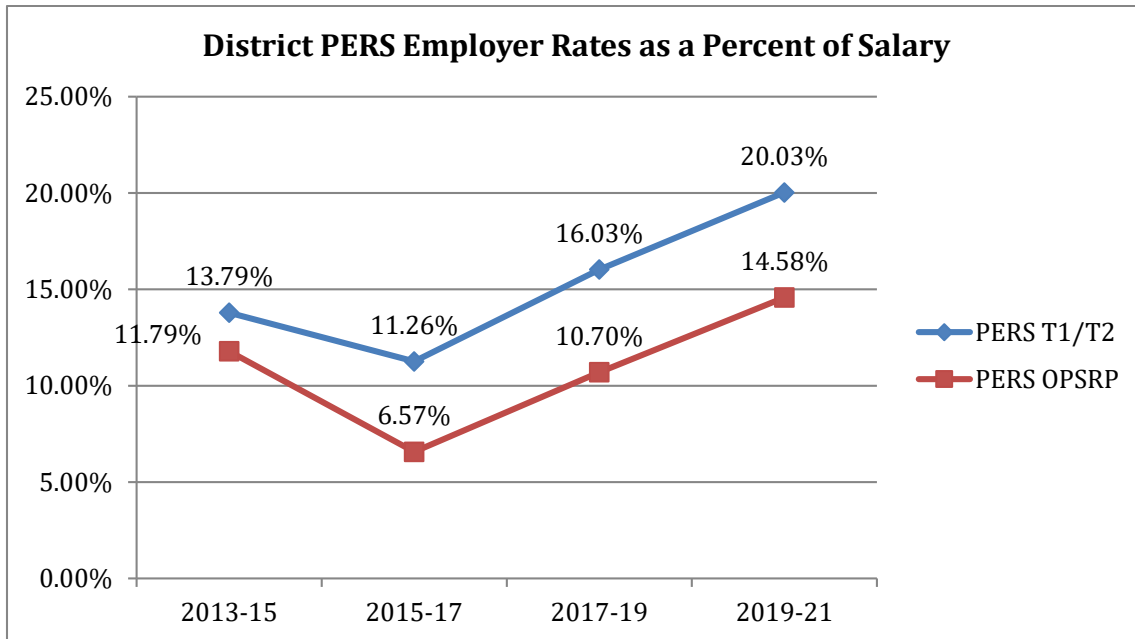
## PERS Rates

The 2019-21 Public Employee Retirement System (PERS) employer contribution rates adopted October 2018 by the PERS Board result in significant increases in the District's employer contribution rates, as shown below, demonstrating the need for reserves to address future increases in the District's payroll costs. Tier One covers members hired before January 1, 1996; Tier Two covers members hired between January 1, 1996 and August 28, 2003; and OPSRP covers members hired on or after August 29, 2003.

### Hood River County School District Current PERS and Future Net Employer Contribution Rates

Employee Membership Tier	2017-19 Current Rate	2019-21 Adopted Rate	Change to Contribution Rate	Percentage Increase
Tier 1/Tier 2	16.03%	20.03%	4.00%	25%
OPSRP	10.70%	14.58%	3.88%	36.3%

The following chart provides a historical look at the District's PERS employer contribution rates and the adopted rates for the 2019-21 biennium. The drop in the 2015-17 biennium rates was the result of legislative action which was subsequently overturned by the courts. Savings from these artificially lowered rates provided resources which were transferred into the District's Biennial Reserve Fund to help with the looming PERS rate increases.



The District's total PERS rate includes the employer contribution rate, pick-up and pension bond rate. The following chart provides historical and future 2019-21 rate data of the District's total PERS rate as a percent of salary by member tier.

