



# HOOD RIVER COUNTY SCHOOL DISTRICT

*Excellence. Every student. Every day.*

## Financial Report as of March 31, 2019

The Summary of Revenue and Expenditures as of March 31, 2019, is organized by fund and function with budget variances for the current fiscal year to date and includes audited actuals for the previous two years. For 2018-19, the report includes the current budget as amended. Encumbrances and year-to-date actuals follow in the next two columns with variances and percent of budget. Year-end projections and variances to the current budget have been included in this report.

**General Fund.** The Summary of Revenue and Expenditures as of March 31, 2019, 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 18-19, total operating revenue is \$39,767,613 as of March 31, and represents 85% of the current budget of \$46,693,111, as shown on page 1. The total 2018-19 operating revenue is projected to be \$47,824,566 with a positive variance of \$1,131,455. These projections were based on four years of trend data and other known information as of the date of this report.

**State School Fund Revenues.** Of the total, \$35,498,606 is from State School Fund formula revenue budget of \$40,697,955. The District received the first 18-19 property taxes from the permanent levy in November and receipts to date represent 97% of the property tax budget. The Common School Fund revenue is received in two payments – one payment in early spring and the second at the close of the fiscal year. Federal Forest Fees are expected in the fourth quarter of the fiscal year.

**Other Operating Revenues.** Local option levy property taxes combined receipts for the current year and prior year are nearly 100% of the amount budgeted by \$3,670. The Local Option Equalization (LOE) grant budget was based on the prior year's amount, however, the 2019 LOE grant award of \$547,692 will be received in 19-20 along with the 2020 LOE grant. Under the law, if a district passes a local option levy and it first is imposed in the same biennium in which voters passed it, the district still qualifies for the equalization grant for the year in which the levy is first imposed, but the grant is not paid by ODE to the district until the first year of the next biennium.

Revenue from the CGESD local service plan including local service plan revenue and invoiced services reimbursements of \$1,021,275 were received through March. Other federal revenue is from the teen parenting contract based on actual services performed and with \$10,566 received to date. Other local revenue of \$750,986 is from various sources including \$330,776 of interest earnings, \$81,989 of E-rate recovery, \$84,229 of miscellaneous revenue, \$113,055 from grant indirect rate charges and other sources of \$140,937. Other state revenue is from the Facilities Grant award of \$50,838 for new classrooms constructed at Wy'east Middle School.

**Total General Fund Operating Requirements.** The total operating requirements (expense) budget shown on page 2 is \$49,698,902. Expenditures and encumbrances to date total \$44,184,947 representing 89% of the budget.

Instruction expenditures and encumbrances are 93% of the \$30,369,142 budget. Support Services expenditures and encumbrances are 85% of the \$18,665,688 budget. The semi-annual Debt Service principal and interest payments from the general fund totaling \$262,830 were made for the year. The Contingency balance is \$401,242 of the \$466,242 adopted budget. The current expenditure variances to date total \$5,513,955 from these objects: \$1,340,273 of salaries, \$1,391,764 of associated payroll costs, \$1,212,481 of purchased services. \$1,092,235 of supplies, \$48,929 of capital outlay, \$27,031 of other goods and services and \$401,242 of unspent contingency.

The total 2018-19 operating expense is projected to be \$48,066,128 with a positive variance of \$1,632,774. These projections were based on four years of trend data and other known information as of the date of this report.

Encumbrances and expenditures by year by object classification are shown on pages 4-5.

**General Fund Balance.** The District began the year with \$5,443,336 in beginning fund balance which was \$931,355 greater than the adopted budget. Through an approved supplemental budget, the budget has been adjusted to reflect the actual beginning fund balance. The ending fund balance budget of \$3,847,941 is 8.2% of operating revenue and is 0.2% higher than the Board's goal of 8%.

The Board approved a supplemental budget on October 24 to allocate these funds for instructional programs this year, 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 was 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 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.

The Board approved resolution 18-19/09 in February for budget transfers to provide funding for curriculum, intervention materials, training, professional development, professional services, furnishings, facilities maintenance equipment, technology equipment, and technology services.

The projected ending fund balance is \$6,642,170 which will become the beginning fund balance for the 19-20 proposed budget which is derived from the net change in fund balance of \$1,198,835 for 18-19 and the beginning fund balance of \$5,443,336. This projected fund balance is based on revenue and expense trend data as of March 31, 2019.

**Other Funds**

**Other Funds.** All other funds are shown beginning on pages 6 through 21 with activity through March 31, 2019. Grant Funds 220-299 and the Capital Construction Funds 400-404 are grouped and summarized for this report. The 2018-19 beginning fund balances reflect the prior year audited ending fund balances.

**Fund 200 Food Service** – Resources from local, state and federal sources of \$1,079,057 to date and beginning fund balance of \$484,105 support operations of nutrition services. Program expenses are \$1,130,958 to date with encumbrances of \$526,984 and is on track to operate within its budget limit of \$2,184,105. The current ending fund balance is \$432,205.

**Fund 204 Student Body Funds** – Actual student body fund beginning fund balances are shown as of July 1, 2018. The financial summary reports revenue of \$605,033 and expenses of \$549,083 through January 31. (Fund activity is updated at the District level a few times per year.)

<b>Student Body Funds</b>	<b>Beginning Bal.</b>
Elementary Schools	\$140,143
Middle Schools	164,816
High School	356,326
Total	\$661,285

**Fund 205 Community Education** – The community education program activity reflects a beginning fund balance of \$80,330, year to date local revenue of \$760,694 state revenue of \$6,090 for the driver’s education program, inter-fund transfers of \$59,604, expenses of \$853,684, with a current ending fund balance of \$53,034.

**Fund 207 Biennial Reserve Fund** – The School Board established this fund in 2015-16 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 18-19 beginning 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.

**Fund 210 Unemployment Reserve** – The Unemployment Reserve Fund beginning fund balance of \$382,181 provides resources to pay for expenditure activity of the District’s Local Government Benefit Trust Fund and the quarterly unemployment premiums. Current premiums paid to date for the first two quarters equal \$20,559.

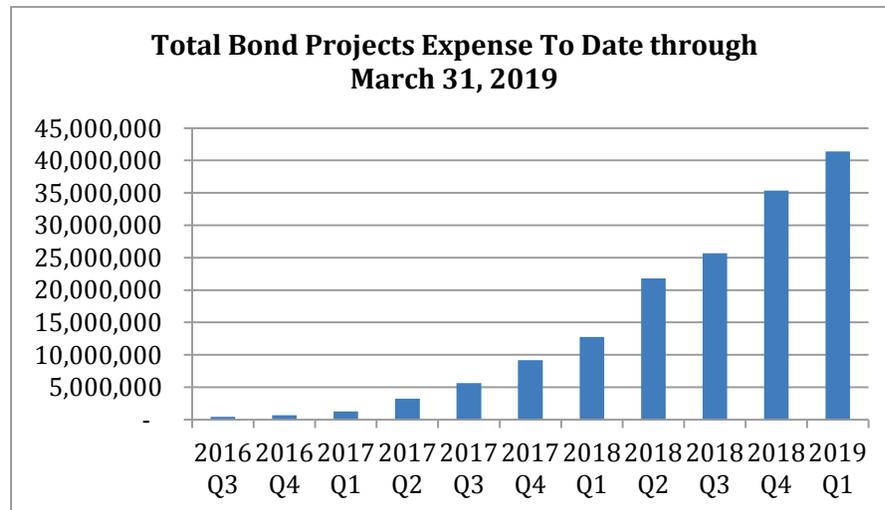
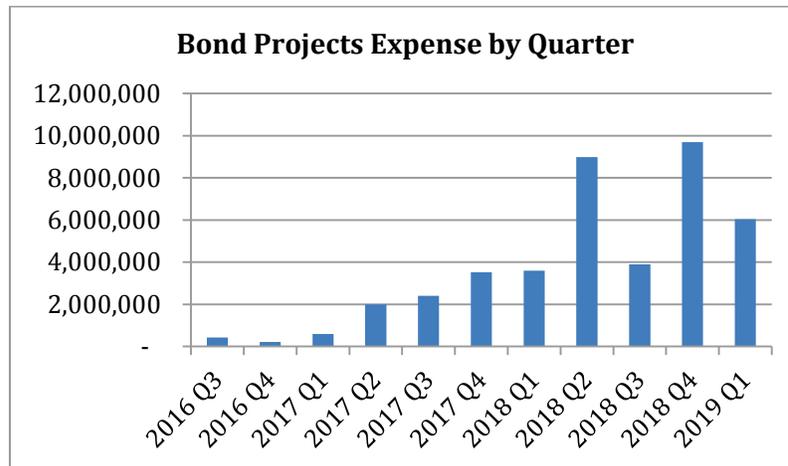
**Fund 212 Bus Replacement Fund** – The Bus Replacement Fund accounts for the estimated state school fund revenue of \$120,000 for estimated bus depreciation, a budgeted transfer of \$30,000, beginning fund balance of \$217,871 and expense budget of \$367,871 for school bus purchases. A total of \$366,813 is encumbered for two 78-passenger buses, one 18+1 wheelchair passenger bus, and one 30-passenger bus for delivery before June 30.

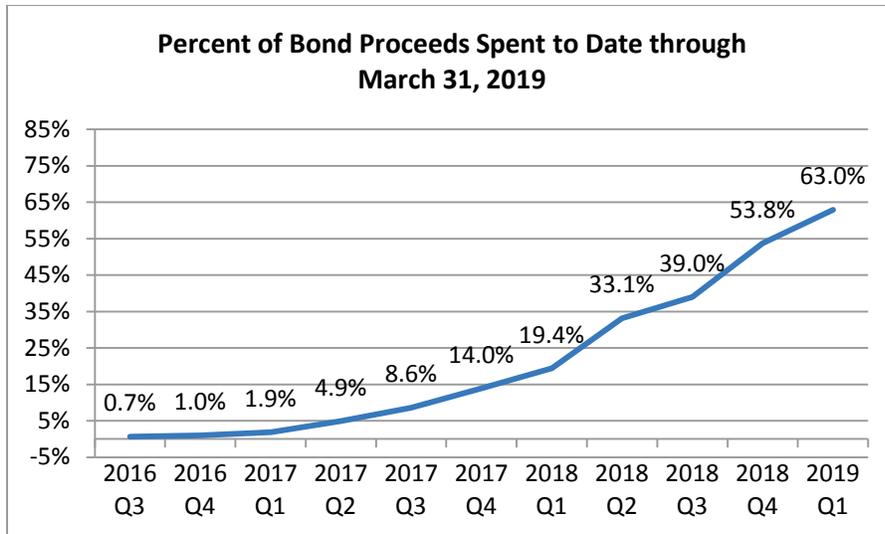
**Funds 220-299 Grant Funds** – Grant Funds revenue and expense activity is within budget appropriations limits with total year to date revenue of \$1,802,164 and expenditures of \$3,062,249. The restricted ending fund balance of (\$407,880) is a current deficit balance due to the timing of quarterly grant and contract reimbursements which are requested in the month following each quarter. The March 31, 2019 report of 2018-19 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 18-19 is \$258,624. For 18-19, total year to date revenue of \$4,133,113 is from current and prior years’ property tax revenue and interest; and represents 99% of the budget. Beginning fund balance and property tax revenue are both used to offset property tax levies. Budgeted expenditures of \$4,285,750 include the semi-annual interest payments of general obligation bonds and the annual principal payments due in June. The first debt service interest payments met the required semi-annual due date.

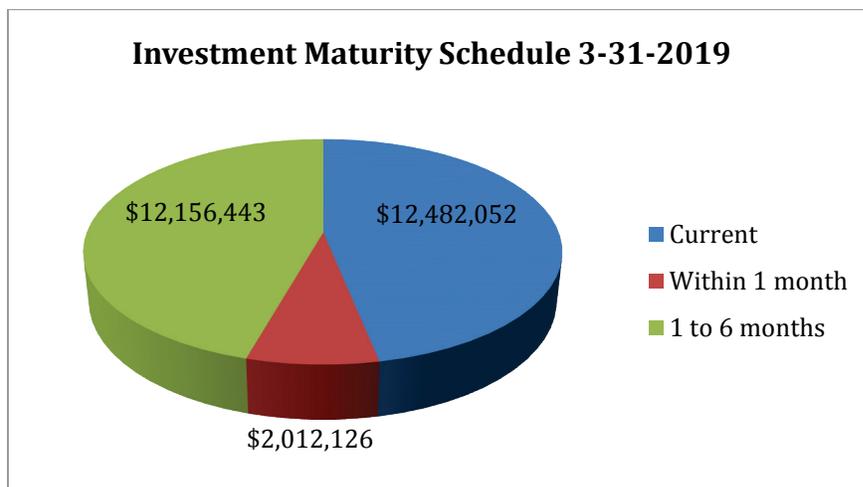
**Funds 4XX Capital Construction Funds** – The summary of all capital construction funds shows a beginning fund balance of \$47,814,311, total year to date revenue of \$2,038,360 and expenses of \$20,745,231 with \$21,109,112 of encumbrances. The capital projects funds are reported on pages 16-22.

- 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 \$21,773,214 was spent in fiscal years 16-17 and 17-18. For the overall project to date through March 31, 2019, the District has spent \$41,411,115, equal to 63% of bond proceeds of \$65,776,732, to support capital construction and improvements as shown in the following charts. The capital projects schedules support meeting the 85% spending requirement within 36 months by September 13, 2019.





As of March 31, 2019, the fair value of capital projects fund cash in the Oregon State Treasurer’s Local Government Investment Pool (LGIP) is \$12,482,052 with a current yield of 2.75%. The fair value of investments in U.S. Government and U.S. Agency securities is \$14,168,570, with varying yields and maturities through October 31, 2019 as shown on the attached investment report. The following chart, Investment Maturity Schedule as of 3-31-2019, shows the value of investments for each maturity period. Per our investment policy of bond proceeds, the percent of cash and LGIP investments of the total capital projects fund balance is required to be a minimum of 10%. The District monitors this 10% cash threshold and currently exceeds this requirement.



- Fund 401 Construction Excise Tax Fund resources include receipts of \$145,036 and a beginning fund balance of \$1,733,210 for future development. 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 to date of \$63,940. The balance of this fund are for reimbursements to the District for past energy projects with \$99,441 of the budgeted as transfers out of this fund to fund current capital improvements. We have transferred \$50,000 to Fund 400 so far this year. Our project management team is working with the Oregon Department of Energy regarding future qualifying energy projects related to the bond program.
- Fund 403 Property Fund is budgeted to provide resources from our beginning fund balance of \$735,568 to cover the future construction costs of the District's requirement to provide the street extension to the District's undeveloped property. The District has relaunched this project at the request of the adjacent landowner per our existing agreement. This fund provided resources for the purchase of the county parcel for the Wy'east Middle School property line adjustment and plans are underway for construction of the new access road directly to the south of the parking lot.
- Fund 404 Seismic Projects Fund accounts for the balance of state seismic projects grant awards for Wy'east Middle School and Mid Valley Elementary School. Year to date project expenses for Mid Valley Elementary School total \$157,146 primarily for architectural and engineering services in preparation of issuing bid documents. The Wy'east Middle School project was completed the fall of 2018 for a total of \$1,120,139. The Hood River Middle School project was completed in 2017-18 for a total of \$811,525.
- Fund 405 accounts for the Oregon Schools Capital Improvement Matching Program grant award of \$4,499,478. This grant was designated by the District for capital improvements at Hood River Middle School. As of January 2019, the District expended 100% of the grant award.

**Summary of Inter-Fund Transfers** – A summary of inter-fund transfers is shown on page 22. Transfers for the year include the budgeted transfers from the Biennial Reserve Fund to the General Fund in the amount of \$1,500,000; to the Bus Replacement Fund in the amount of \$30,000; and to the Community Education Fund in the amount of \$59,604. A transfer within the Capital Projects Fund is budgeted from sub fund 402 to sub fund 400 in the amount of \$83,538; and \$50,000 has been recorded to date.

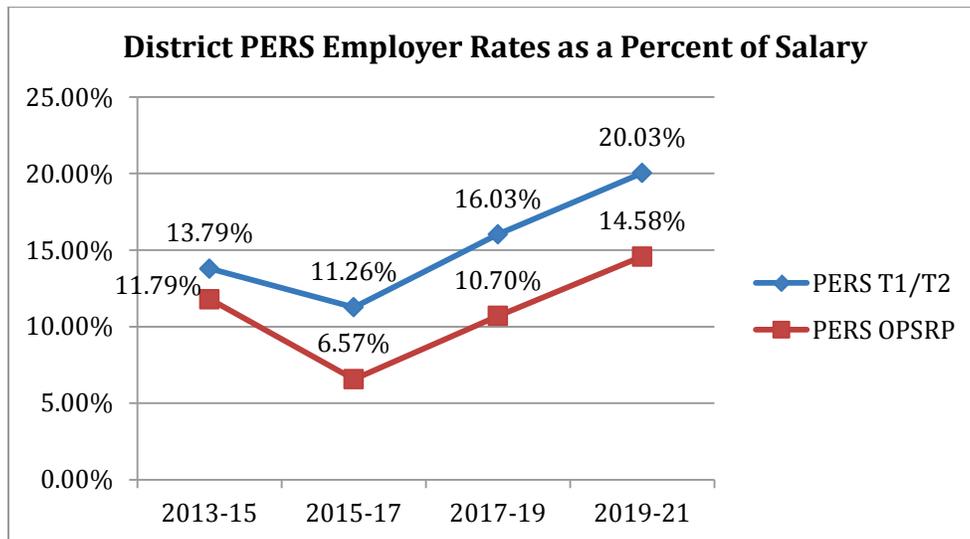
## PERS Rates

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.

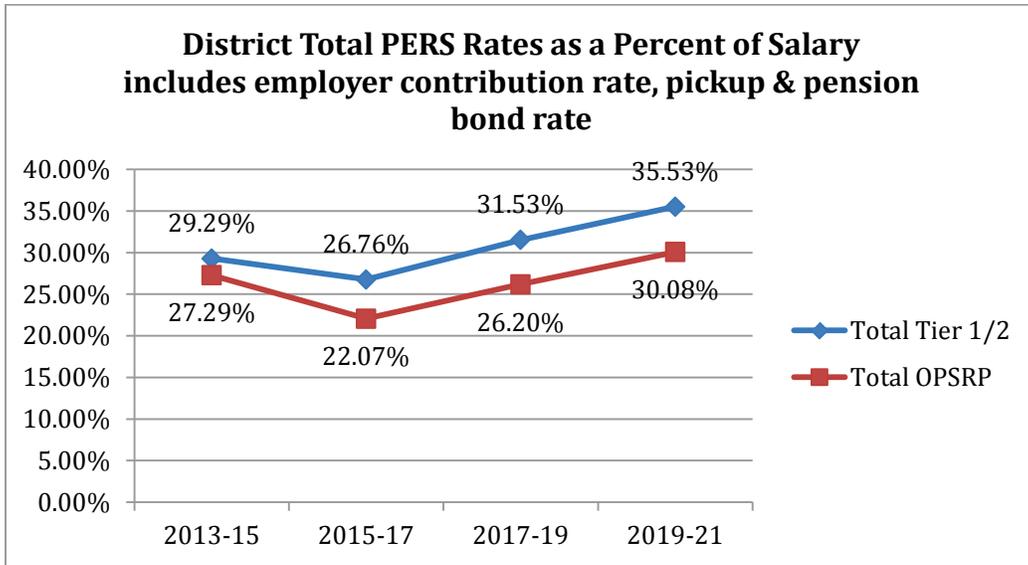
### Hood River County School District Current PERS and Future Net Employer Contribution Rates

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.



## Budget Development for 2019-20

With the issuance of the annual comprehensive annual financial report at the end of December and its related filings and data collections, we have been focused on budget development for the upcoming year and biennium. In December, the Oregon Department of Education requires school districts provide enrollment projections and estimates of various sources of local revenue which will be used in generating estimates of the State School Fund for the current year and 2019-20. We will use those estimates as the basis for projecting the District's share of the State School Fund in our own budget estimates.

The budget development process included a series of budget planning meetings with administrators to produce a proposed budget to present to the District's Budget Committee on May 7 & 14. After approval by the Budget Committee, the approved budget will be presented to the HRCSD Board of Directors for adoption on June 12.

The Governor's Budget released in November proposed \$8.97 billion for the 2019-21 State School Fund. The Oregon Association of School Business Officials calculated school districts would need \$9.13 billion to maintain current service levels. Governor Brown proposed an additional \$1.3 billion for early learning and K-12 education. Her goals include funding 10,000 more early education spots, reduce class sizes and increase the length of the school year. In her State of the State address on Monday, January 14, Governor Brown expressed a need to invest in career and technical education, stabilize Public Employees Retirement System rates for schools, make higher education affordable, close the opportunity gap and help rural schools, as reported by Jake Arnold, Oregon School Boards Association.

The Oregon Legislature's Co-Chairs of the Joint Ways and Means Committee's 2019-21 budget released March 6, 2019 provides the initial budget framework based on the existing resources in the state's General and Lottery funds. The Co-Chairs' budget states: "The State School Fund will be held harmless from cuts. In addition, \$100 million will be added above the current service level (CSL). Supplemental funding for the State School Fund may become available from new revenues passed by the Joint Committee on Student Success."

While the Co-Chairs budget was less than the Governor's proposed budget, it is our belief that with the current push for more state-wide revenue and additional revenue for the State School Fund, will result in a total of \$8.972B for the State School Fund. We will be proposing a budget based on a SSF of \$8.972B. If that level of funding is not appropriated, the District will adjust by either using its reserves or by adjusting program levels for students.

The current legislature is considering in investment budget which is dependent on new revenue sources. For that reason, we expect the revenue to become available no earlier than calendar year 2020, and do not expect to include those potential resources in our proposed budget.