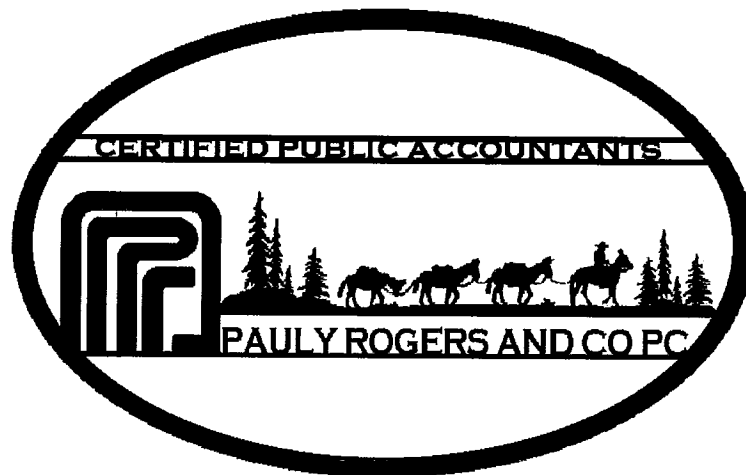


**HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



**12700 SW 72nd Ave.
Tigard, OR 97223**

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

2012-13

FINANCIAL REPORT

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HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

BOARD OF DIRECTORS AS OF JUNE 30, 2013

BOARD OF EDUCATION

TERM EXPIRES

Jan Veldhuisen Virk, Chairperson	June, 2013
Kateri Osborne Lohr, Vice Chair	June, 2015
Liz Whitmore	June, 2015
Jeff Kopecky	June, 2013
Dr. James Sims	June, 2013
Bob Danko	June, 2015
Mark Johnson	June, 2013
Rob Brostoff	June, 2015

ADMINISTRATION

Dan Goldman, Superintendent (FY 2013-14)
Charles Beck, Superintendent (FY 2012-13)

Saundra Buchanan, M.B.A., Chief Financial Officer (FY 2013-14)
Nick Hogan, C.P.A., Chief Financial Officer (FY 2012-13)

1011 Eugene Street
Hood River, OR 97031

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HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

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HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

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December 2, 2013

To the Board of Directors
Hood River County School District
Hood River County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hood River County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Modified Opinion

Management has not obtained an actuarial valuation of the post-employment benefit obligation related to the early retirement plan and retiree health care coverage. Accounting principles generally accepted in the United States of America require that actuarially determined annual required contributions related to postemployment benefits, other than pension benefits, attributable to employee services already rendered be recorded as expenses as employees earn the benefits, which if not funded would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect net position is not reasonably determinable.

Modified Opinion

In our opinion, except for the effects of not providing an actuarially determined liability for post-employment benefits as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hood River County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in

the table of contents, and the schedule of federal expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of board members containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 2, 2013, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink, reading "Tara M. Kamp, CPA". The signature is fluid and cursive, with the letters "T", "M", and "K" being particularly prominent.

Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

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**HOOD RIVER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

This section of Hood River County School District's (the District) Financial Statements presents a comparative analysis of the financial activities of the District for the fiscal years ended June 30, 2013 and 2012. This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. This report is based on currently known facts, decisions and conditions that existed at the date of the independent auditor's report.

FINANCIAL HIGHLIGHTS

- In fiscal year 2013, net position increased by \$1,756,029 and improved as compared to fiscal year 2012 when net position decreased by \$2,216,234.
- In the government-wide statement of net position in fiscal year 2013, the assets of the District exceeded liabilities by \$14,766,821 reflecting an improvement of \$1,756,029 from the prior year.
- The District made all scheduled payments to reduce total debt by \$3,730,320 offset by additions to early retirement obligations of \$569,056 for a net decrease in long term liabilities of \$3,161,264.
- Capital assets decreases of \$176,587 to land and building improvements included removing the values associated with the sale of the Frankton school property.
- In fiscal year 2013, the District received a one-time state school fund adjustment in the amount of \$2,071,823 from Oregon legislation, HB 3417, passed in 2011 that changed the method by which Oregon Department of Education calculates extended average daily membership-weighted for districts that are either in the first year or have just disbanded a charter school. The District's one-time receipt of these funds was from a prior year adjustment due to the closure of its charter school. This one-time receipt contributed to the positive unassigned ending fund balance of the General Fund.
- In fiscal year 2013, the District received a one-time facility grant from the state school fund to the in the amount of \$733,549 which contributed to the positive ending fund balance of the General Fund.
- At the end of the fiscal year, the ending fund balance of the General Fund was \$2,362,217, of which \$2,299,003 was unassigned and \$63,214 was restricted to unemployment reserves and bus replacement. Without the one-time receipts from the state school fund and facility grant totaling \$2,805,372, ending fund balance would have been a negative \$506,369.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are shown in one category as governmental activities. The District's basic functions are shown here, such as instruction, support services, community services and interest on long-term debt. These activities are primarily financed through property taxes, Oregon's State School Fund and other intergovernmental revenues.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements. The fund financial statements provide more detailed information about the District's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Hood River County School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the District are governmental funds.

Governmental Funds. The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing

decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District has three major government funds: General Fund, Grants Fund and Capital Construction Fund. Other non-major governmental funds include special revenue funds of Food Service, Community Education and Student Body; and the Debt Service fund. Information is presented separately in the governmental funds balance sheet and in the governmental statement of revenues, expenditures and changes in fund balance for the general fund, grants fund, capital construction fund, and other governmental funds. The District adopts the budget for each fund type level and, for certain funds, at the fund level.

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Notes to the basic financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20 through 36 of this report.

Supplementary information. Schedules presenting detailed budgetary information for individual funds and other supplementary information can be found on pages 37 through 52 of this report.

Government-wide financial analysis. As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. As of June 30, 2013, the District's assets exceeded liabilities by \$14,766,821.

Capital assets, which consist of the District's land, buildings, improvements, vehicles, and equipment, represent 64% of total assets. The remaining assets consist of cash and investments, property tax receivables, supply inventory, prepaid pension costs, and bond issue costs.

The District's largest liability is for the repayment of general obligation and PERS bonds, and represents 95% of total liabilities. Current liabilities include accounts payable, salaries and contracts payable, accrued interest payable and accrued vacation, and represent 5% of total liabilities.

The largest portion of the District's net position of \$18,517,168 reflects its investment in capital assets (land, buildings, improvements, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students and other District residents. Therefore, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (primarily property taxes) since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position of \$2,113,395 represents resources that are subject to external restrictions on how they may be used. The District reports a negative unrestricted balance of \$5,863,742 due to the requirement to report capital assets net of related debt even though future related property taxes will be used to pay that debt. The District's net position increased overall by \$1,756,029 from the prior year.

Net Position as of June 30, 2013 and June 30, 2012

	Governmental Activities		
	FY 2013	FY 2012	Change
Assets			
Current and other assets	\$23,738,481	\$23,121,482	\$616,999
Capital assets	41,982,168	43,952,350	(1,970,182)
Total Assets	65,720,649	67,073,832	(1,353,183)
Liabilities			
Long-term debt outstanding	48,423,676	51,584,940	(3,161,264)
Other liabilities	2,530,152	2,478,100	52,052
Total Liabilities	50,953,828	54,063,040	(3,109,212)
Net Position:			
Net investment in capital assets	18,517,168	17,617,350	899,818
Restricted for:			
Unemployment Reserve	54,842	142,246	(87,404)
Bus Replacement	8,372	48,117	(39,745)
Grants	301,629	641,454	(339,825)
Capital Projects	1,450,675	536,738	913,937
Debt Service	297,877	149,220	148,657
Unrestricted	(5,863,742)	(6,124,333)	260,591
Total Net Position	\$14,766,821	\$13,010,792	\$1,756,029

Governmental Activities. During the current fiscal year, net position for the governmental activities increased by \$1,756,029 from the prior fiscal year, for an ending balance of \$14,766,821. Noted differences include a slight increase in program revenues of \$39,217 and an increase of \$3,096,515 in general revenues primarily from property taxes, state school fund and the common school fund partially offset by decreases in unrestricted revenues, excise tax and earnings on investments. Expenses decreased overall by \$836,531 from the prior year with increased instruction expenses of \$454,636 and decreased expenses in all other categories. In fiscal year 2013, net position increased by \$1,756,029 and improved as compared to fiscal year 2012 when net position decreased by \$2,216,234 as shown in the following table.

Changes in Net Position
For the Years Ended June 30, 2013 and June 30, 2012

	Governmental Activities		
	FY 2013	FY 2012	Change
Revenues			
Program revenues			
Charges for service	\$1,004,317	\$954,624	\$49,693
Operating grants and contributions	5,011,074	5,021,550	(10,476)
Total Program Revenues	6,015,391	5,976,174	39,217
General revenue			
Property taxes for general purposes	10,728,590	10,245,461	483,129
Property taxes for debt service	3,607,522	3,371,260	236,262
State school fund, general support	24,313,661	21,637,628	2,676,033
Common School fund	347,140	312,677	34,463
Construction excise tax	173,571	190,249	(16,678)
Unrestricted intermediate sources	1,841,947	1,866,888	(24,941)
Unrestricted state and local sources	1,064,681	1,348,441	(283,760)
Unrestricted federal revenue	244,865	256,470	(11,605)
Earnings on investments	62,503	65,197	(2,694)
Miscellaneous	1,481,441	1,475,135	6,306
Total General Revenue	43,865,921	40,769,406	3,096,515
Total Revenues	49,881,312	46,745,580	3,135,732
Expenses			
Instruction	30,073,705	29,619,069	454,636
Support services	15,220,883	16,305,580	(1,084,697)
Community services	2,311,773	2,371,693	(59,920)
Interest on long-term debt	518,922	665,472	(146,550)
Total Expenses	48,125,283	48,961,814	(836,531)
Increase (decrease) in net position	1,756,029	(2,216,234)	3,972,263
Net Position - beginning	13,010,792	15,227,026	(2,216,234)
Net Position - ending	\$14,766,821	\$13,010,792	\$1,756,029

Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund

balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the District's Board of Directors.

To further enhance this analysis, the District implemented GASB statement 54 for fiscal year ending June 30, 2011. This is the third year reporting under this new statement. This GASB pronouncement requires an analysis and breakdown of ending fund balance between five new fund balance categories. The new GASB 54 fund balance categories are: Nonspendable, Restricted, Committed, Assigned and Unassigned. Following is a brief explanation of each of these fund balance categories:

- Nonspendable – Includes items not immediately converted to cash, such as prepaid items and inventory.
- Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- Committed – Includes items committed by the District's Board of Education, by formal board action.
- Assigned – Includes items assigned for specific uses, authorized by the District's Superintendent and/or Chief Financial Officer.
- Unassigned – This is the residual classification used for those balances not assigned to another category.

Under GASB 54, the General Fund is the only fund type that should have an unassigned fund balance. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. See Note 15 of the Basic Financial Statements for more information on the details behind each fund balance category.

As of June 30, 2013, the District's governmental funds reported combined fund balances of \$5,357,088, an increase of \$1,679,255 in comparison with the prior year, of which \$2,071,823 was from a one-time revenue adjustment to the state school fund. Approximately 42.9% of this amount (\$2,299,003) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted or assigned to indicate that it is 1) not in spendable form (\$42,319), 2) restricted for particular purposes (\$2,113,395), or 3) assigned for particular purposes (\$902,371).

General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2013, \$2,299,003 of General Fund balance is unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents about 6 percent of total General Fund expenditures, while total fund balance represents approximately 6.2 percent of that same amount. Other restricted ending general fund balance categories include unemployment reserve and bus replacement, totaling \$54,842 and \$8,372 respectively.

Total General Fund balance increased by \$923,085 during the current fiscal year. This increase can be attributed to an increase of revenues over expenses, primarily from increases in the state school fund including receipt of one-time state revenues from the charter school closure and a facility grant, common school fund and property taxes; and decreases in all expenses except instruction.

Grants Fund. The Grants Fund has a total fund balance of \$301,629, all of which is restricted for grant expenditures.

Capital Projects. The Capital Projects fund has a total fund balance of \$1,450,675, all of which is restricted for capital construction projects.

Other Funds. Other Funds have a total fund balance of \$1,242,567, of which \$42,319 is nonspendable prepaid and supplies inventory, \$297,877 is restricted for the payment of debt service, \$415,570 is assigned to the School Lunch Fund and \$486,801 is assigned to the Student body funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund actual revenues exceeded the adopted budget by \$1,769,343 or 4.76%. Local revenue sources of revenue provided a favorable revenue variance of \$704,908 or 6.62% primarily from property taxes, local option taxes and e-rate recovery. The intermediate revenue source from the Columbia Gorge Educational Service District provided a favorable revenue variance of \$47,399 or 4.63%. State sources overall provided a favorable revenue variance of \$1,261,061 or 5.04%. A one-time revenue adjustment to the state school fund of \$2,071,823 and \$733,549 state facility grant contributed to the positive state sources revenue variance, and was offset by other unfavorable variances from state revenue. Federal sources provided an unfavorable revenue variance of \$244,025 or 48.81% primarily from federal forest fees as shown in the following table.

General Fund Actual Revenues vs. Budget
For the Year Ending June 30, 2013

Revenue	Final Budget	Actual	Variance	
			\$	%
Local Sources	\$10,650,000	\$11,354,908	\$704,908	6.62%
Intermediate Sources	1,023,000	1,070,399	47,399	4.63%
State Sources	25,015,711	26,276,772	1,261,061	5.04%
Federal Sources	500,000	255,975	(244,025)	(48.81%)
Total	\$37,188,711	\$38,958,054	\$1,769,343	4.76%

General Fund actual expenditures were within overall budgeted amounts by 0.32%. Instruction expenditures were \$150,719 or 0.63% less than budget primarily due to budget savings in the elementary K-5 programs, intermediate programs, high needs programs and tuition reimbursements which exceeded unfavorable variances in other instruction functions. Support services expenditures exceeded the adopted budget by \$349,933 or 2.64% more than budget primarily due to unfavorable budget variances in instruction improvement, care and upkeep of buildings, vehicle operation and technology services which exceeded favorable variances in other support services functions. Favorable budget variances in Debt Service, Contingency and Transfers out, \$2,825, \$235,008 and \$83,584 respectively, contributed to the overall expenditure budget savings of \$122,203 as shown in the following table.

General Fund Actual Expenditures vs. Budget
For the Year Ending June 30, 2013

Expenditures	Final Budget	Actual	Variance	
			\$	%
Instruction	\$23,989,036	\$23,838,317	\$150,719	0.63%
Support Services	13,262,774	13,612,707	(349,933)	(2.64%)
Debt Service	328,000	325,175	2,825	0.86%
Contingency	235,008	0	235,008	100.00%
Transfers Out	218,000	134,416	83,584	38.34%
Total	\$38,032,818	\$37,910,615	\$122,203	0.32%

The net change in General Fund balance was \$1,550,234 or \$1,894,341 more than budgeted and was comprised of a favorable revenue variance of \$1,769,343, a favorable expenditure variance of \$122,203 and a favorable variance of \$2,795 in other financing sources from the sale of capital assets.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets includes land, buildings and improvements, and vehicles and equipment. As of June 30, 2013, the District had invested \$41,982,168, net of accumulated depreciation, as shown in the following table:

Changes in Capital Assets
For the Years Ending June 30, 2013 and 2012

	FY 2013	FY 2012	Change
Land	\$4,066,141	\$4,086,141	\$(20,000)
Buildings and Improvements	64,326,002	64,482,589	(156,587)
Vehicles and Equipment	7,407,058	7,415,537	(8,479)
Total	75,799,201	75,984,267	(185,066)
Accumulated Depreciation	33,817,033	32,031,917	1,785,116
Total Net Capital Assets	\$41,982,168	\$43,952,350	\$(1,970,182)

Capital assets decreases of \$176,587 to land and building improvements included removing the values associated with the sale of the Frankton school property. Additional information on the District's capital assets can be found in Note 6 of the Basic Financial Statements.

Debt Administration. As of June 30, 2013, the District had total debt outstanding and obligations of \$48,423,676. Of this amount, \$20,455,000 is general obligation bonds; \$23,047,999 is pension obligation bonds; \$3,010,000 is qualified school construction bonds; \$1,498,756 is early retirement obligations, and \$411,921 is unamortized bond premiums and discounts. The District made all scheduled payments to reduce total debt by \$3,730,320 offset by additions to early retirement obligations of \$569,056 for a net decrease in long term liabilities of \$3,161,264.

The District received an A+ (underlying) and an AA (Oregon School Bond Guaranty) rating from Standard and Poors for the general obligation bonds issued in 2010. Oregon School Boards Association received an Aa2 rating from Moody's on behalf of the District and other participating districts of the pension obligation refunding bonds issued in 2011. This Oregon School Bond Guaranty pledges the full faith and credit of the State of Oregon for the District's bond issue.

The District's Measure 5 Real Market Value for fiscal year 2013 is \$3,174,278,418. Oregon Revised Statute 328.245 establishes the limit on bonded indebtedness for K-12 school districts at 7.95 percent of the Real Market Value of all taxable properties within the district. As of fiscal year 2013, the District's limit on bonded indebtedness is \$252,355,134, which is significantly in excess of the District's outstanding general obligation debt.

Detailed information on long-term debt activity may be found in Note 8 of the Basic Financial Statements.

ECONOMIC FACTORS AND 2013-14 BUDGET

The most significant factor for the District is the State of Oregon's State School Fund which distributes funds based primarily on average student enrollment and modified by several student factors. The Fund includes local resources (primarily property taxes) and state sources (primarily personal and business income taxes). Due to the expiration of federal stimulus dollars and a general decline in state income taxes, the K-12 budget for the state of Oregon for the 2013-15 biennium was approved at \$6.55 billion. This level reflects an increase of \$750 million over the previous biennium.

Average student enrollment is expected to continue a gradual growth over the long term based on the historical trend and a Hood River County coordinated population forecast performed by ECONorthwest, however, enrollment remains flat for 13-14 as of the date of this report. Student enrollment has increased an average of approximately one percent per year over the past 20 years.

Due to losses in past years in the PERS state retirement system, employer rates have continued to rise significantly. Future PERS employer rates are sensitive to actual PERS investment earnings. Changes in PERS actuarial liability methods and assumptions by the PERS Board, such as reducing the fund's "assumed earnings rate" or changing the unfunded liability amortization period, could significantly impact future employer rates.

Significant factors accounted for by the District's Budget Committee and School Board during the budget process for the 2013-14 fiscal year include: roll-up costs from 2012-13, PERS rate increases and proposed legislation, the state's economic growth and projected enrollment. The budget reflects staffing reductions in administration, confidential, licensed and classified employee groups. Budget priorities guiding development of the budget included: to provide sufficient funds for reasonable assurance that the 2013-14 programs and staff can be funded through 2014-15; attempt to maintain elementary class sizes to allow classroom teachers to focus on student achievement of benchmark performance standards; attempt to maintain secondary staff levels in the core academic areas to support student achievement of benchmark performance standards; attempt to maintain secondary staff to provide sufficient course offerings for students to meet current graduation and college entrance requirements and to connect K-12 school learning to post-secondary possibilities; to provide sufficient programs and services to meet legal requirements and Oregon educational standards; to maintain

facilities, practices and programs to ensure the health and safety of our students; and to create a sustainable budget for the students and families of Hood River County. The District's Local Option Levy continues to provide funding necessary for support these priorities.

REQUESTS FOR INFORMATION

This financial report is designed to present the users, citizens, taxpayers, investors and creditors, with a general overview of the Hood River County School District's finances and to demonstrate the District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be address to the District's Chief Financial Officer, Sandra Buchanan, at 1011 Eugene Street, Hood River, Oregon 97031.

HOOD RIVER COUNTY SCHOOL DISTRICT

HOOD RIVER COUNTY, OREGON

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

Deposits and investments	\$	5,921,328
Receivables		2,540,185
Supply Inventories		42,319
Prepaid pension costs, net		14,957,595
Bond issue costs		277,054
Capital assets:		
Land		4,066,141
Buildings and equipment, net		37,916,027
Total assets		<u>65,720,649</u>

LIABILITIES:

Accounts payable		240,025
Salaries and contracts payable		2,160,706
Accrued interest payable		30,943
Accrued vacation		98,478
Long-term obligations:		
Due within one year		3,842,734
Due in more than one year		44,580,942
Total liabilities		<u>50,953,828</u>

NET POSITION:

Invested in capital assets, net of related debt		18,517,168
Restricted for:		
Unemployment reserve		54,842
Bus Replacement		8,372
Grants		301,629
Capital Projects		1,450,675
Debt Service		297,877
Unrestricted		<u>(5,863,742)</u>
Total net position	\$	<u>14,766,821</u>

See accompanying notes to basic financial statements.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

FUNCTIONS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
Instruction	\$ 30,073,705	\$ 666,940	\$ 2,621,121	\$ (26,785,644)
Support Services	15,220,883	32,128	1,009,630	(14,179,125)
Community Services	2,311,773	305,249	1,380,323	(626,201)
Interest on Long-Term Debt	518,922	-	-	(518,922)
Total Governmental Activities	<u>\$ 48,125,283</u>	<u>\$ 1,004,317</u>	<u>\$ 5,011,074</u>	<u>(42,109,892)</u>

General Revenues

Taxes:

Property Taxes, levied for:

General purposes	10,728,590
Debt service	3,607,522
State school fund, general support	24,313,661
Common School fund	347,140
Construction excise tax	173,571
Unrestricted intermediate sources	1,841,947
Unrestricted state and local sources	1,064,681
Unrestricted federal revenue	244,865
Earnings on investments	62,503
Miscellaneous	<u>1,481,441</u>

Total General Revenues	<u>43,865,921</u>
Changes in Net Position	1,756,029
Net Position - Beginning	<u>13,010,792</u>
Net Position - Ending	<u>\$ 14,766,821</u>

See accompanying notes to basic financial statements.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Grants Fund	Capital Construction Fund	Other Governmental Funds	Total
ASSETS					
Cash and investments	\$ 3,532,582	\$ -	\$ 1,410,404	\$ 978,342	\$ 5,921,328
Receivables:					
Taxes	587,390	-	-	196,242	783,632
Accounts	558,531	912,699	40,271	245,052	1,756,553
Supply Inventory	-	-	-	42,319	42,319
Due From	579,756	-	-	-	579,756
Total assets	<u>\$ 5,258,259</u>	<u>\$ 912,699</u>	<u>\$ 1,450,675</u>	<u>\$ 1,461,955</u>	<u>\$ 9,083,588</u>
LIABILITIES, AND EQUITY					
Liabilities:					
Accounts payable	\$ 176,189	\$ 31,314	\$ -	\$ 32,522	\$ 240,025
Salaries and contracts payable	2,160,706	-	-	-	2,160,706
Deferred revenues	559,147	-	-	186,866	746,013
Due To	-	579,756	-	-	579,756
Total liabilities	<u>2,896,042</u>	<u>611,070</u>	<u>-</u>	<u>219,388</u>	<u>3,726,500</u>
Fund balances:					
Nonspendable	-	-	-	42,319	42,319
Restricted for:					
Unemployment Reserve	54,842	-	-	-	54,842
Bus Replacement	8,372	-	-	-	8,372
Grants	-	301,629	-	-	301,629
Capital Projects	-	-	1,450,675	-	1,450,675
Debt Service	-	-	-	297,877	297,877
Assigned	-	-	-	902,371	902,371
Unassigned	2,299,003	-	-	-	2,299,003
Total fund balances	<u>2,362,217</u>	<u>301,629</u>	<u>1,450,675</u>	<u>1,242,567</u>	<u>5,357,088</u>
Total liabilities and fund balances	<u>\$ 5,258,259</u>	<u>\$ 912,699</u>	<u>\$ 1,450,675</u>	<u>\$ 1,461,955</u>	<u>\$ 9,083,588</u>

See accompanying notes to basic financial statements.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2013

Total Fund Balances - Governmental Funds	\$ 5,357,088
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The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole.

Net Capital Assets	41,982,168
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The unamortized portion of prepaid pension cost, bond premiums and bond issuance costs is not available to pay for current period expenditures, and therefore is not reported in the governmental funds.

Prepaid Pension costs	14,957,595
Premiums	(411,921)
Bond issuance costs	277,054

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Position.

Long term Liabilities		
Early retirement	\$ (1,498,756)	
Interest payable	(30,943)	
Accrued vacation	(98,478)	
General obligation bonds payable	(20,455,000)	
Limited tax pension bonds payable	(23,047,999)	
Qualified school construction bond	<u>(3,010,000)</u>	(48,141,176)

Deferred revenue related to property taxes	<u>746,013</u>
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Net Position	\$ <u><u>14,766,821</u></u>
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See accompanying notes to basic financial statements.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General Fund	Grants Fund	Capital Construction Fund	Other Governmental Funds	Total
Revenues:					
Local sources	\$ 11,354,908	\$ 569,093	\$ 253,885	\$ 5,868,266	\$ 18,046,152
Intermediate sources	1,070,399	771,548	-	-	1,841,947
State sources	26,276,772	1,485	-	28,001	26,306,258
Federal sources	255,975	2,151,141	-	1,362,402	3,769,518
Total revenues	38,958,054	3,493,267	253,885	7,258,669	49,963,875
Expenditures:					
Current:					
Instruction	23,838,317	2,693,854	-	1,406,583	27,938,754
Support services	13,679,123	1,095,325	-	99	14,774,547
Community services	-	43,913	-	2,103,546	2,147,459
Facilities acquisition and construction	-	-	65,321	-	65,321
Capital Outlay	292,733	-	-	111,165	403,898
Debt service	325,175	-	-	3,489,634	3,814,809
Total expenditures	38,135,348	3,833,092	65,321	7,111,027	49,144,788
Revenues over (under) expenditures	822,706	(339,825)	188,564	147,642	819,087
Other financing sources (uses):					
Transfer out	(34,416)	-	-	-	(34,416)
Transfer in	-	-	-	34,416	34,416
Sale of assets	134,795	-	725,373	-	860,168
Total other financing sources (uses):	100,379	-	725,373	34,416	860,168
Net Change in Fund Balance	923,085	(339,825)	913,937	182,058	1,679,255
Fund balances, beginning of year	1,439,132	641,454	536,738	1,060,509	3,677,833
Fund balances, end of year	\$ 2,362,217	\$ 301,629	\$ 1,450,675	\$ 1,242,567	\$ 5,357,088

See accompanying notes to basic financial statements.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Total Net Changes in Fund Balances - Governmental Funds	\$	1,679,255
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Repayment of bond principal, capital leases and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Additions to bond principal, capital leases and post retirement obligations is an expense for the Statement of Net Position but not the governmental funds. Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Early retirement	\$ (221,072)	
Accrued vacation	3,669	
Amortization of bond issue costs	(39,536)	
Amortization of bond premium	89,436	
Debt Principal Repaid	3,292,900	3,125,397

Capital Outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation.

Capital Asset Additions	403,898	
Capital Asset Deletions	(173,230)	
Depreciation Expense	(2,200,850)	(1,970,182)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

2,987

Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes a deferred revenue for all property taxes levied but not received; however, in the Statement of Activities, there is no deferred revenue and the full property tax receivable is accrued.

(82,563)

Payment for PERS UAL is recorded as an other financing use in the Governmental funds. The Government-wide statements record the prepaid pension asset.

(998,865)

Change in Net Position of Governmental Activities

	\$	1,756,029
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See accompanying notes to basic financial statements.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

REPORTING ENTITY

The Hood River County School District is a municipal corporation, organized under the provisions of ORS 332, and governed by its board of directors who are elected to office by voters within the district. As required by generally accepted accounting principles, these financial statements present Hood River County District (the primary government) and any component units. Component units, as established by the Governmental Accounting Standards Board (GASB) Statements 14, 39 and 61, are separate organizations that are included in the District's financial statements because of the significance of their operational or financial relationships with the District. There are no component units.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of Net Position and the statement of activities) report information on the District as a whole, excluding nonfiduciary activities, if any. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities reports the activities by *function*. The major functions are instruction and support services; however, amounts are also reported for community services (primarily food service). The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e., instruction, support services, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Direct expenses are not eliminated from the various functional categories, whereas indirect expenses are eliminated from the functional categories in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Separate fund financial statements are provided for governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The following *major governmental funds* are reported:

General Fund

This is the primary operating fund. This fund accounts for all financial resources and expenditures not required to be accounted for in another fund. The principal revenue sources are property taxes and an apportionment from the State of Oregon School Support Fund.

Grants Fund

This fund consists of the majority of the federal and state grant money received and expended. The principal revenue sources are federal and state grants. The primary expenditures are costs associated with running the specialized education programs.

Capital Construction Fund

This fund accounts for major capital improvements. The principal revenue sources are proceeds from the sale of bonds and state grants.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Additionally, the following are reported as other (nonmajor) governmental funds:

Special Revenue:

Food Service - this fund accounts for revenue and expenditures of the food service program. Principal revenue sources are cash sales of food and subsidies under the National School Lunch Act.

Community Education - this fund accounts for adult education and community recreation programs. The principal revenue source is tuition.

Student Body - this fund accounts for extracurricular activities, fund raising and student fees earmarked for co-curricular activities and projects. The principal revenue sources are fundraising and student fees.

Debt Service Fund

This fund accounts for the repayment of principal and interest on general obligation bonds. The principal revenue source is property taxes.

When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETS

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles except that property taxes received after year-end are not considered budgetary resources in the funds, inventory is expensed when purchased, debt, debt issuance costs, early retirement and accrued vacation are recorded as expenditures when paid, debt is recorded as a revenue when issued, capital outlay is recorded as an expenditure rather than capitalized, and depreciation and amortization are not recorded on capital assets. All annual appropriations lapse at fiscal year end.

The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent without republication. The budget is then adopted, appropriations are made, and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund: Instruction, Support Services, Enterprise & Community Services, Facilities Acquisition and Construction, Other Uses - Debt Service and Interfund Transfers, and Operating Contingency.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures cannot legally exceed the adopted appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Board approves them due to unforeseen circumstances, which could not be determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budgeted appropriation amounts and final amounts after appropriation changes. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2013, except for General Fund – Support Services by \$349,931.

SUPPLY INVENTORY

Purchased inventory is valued at the lower of cost (first-in, first-out method) or market. Commodities inventory is valued at estimated market value at the date of donation. Inventory consists of commodities and purchased food and supplies. The cost of purchased inventory is recorded as an asset at the time of purchase and expensed when it is consumed in the government-wide financial statements, and expensed when purchased in the fund statements.

CAPITAL ASSETS

Capital assets include land, buildings, improvements, vehicles, furniture, fixtures, and equipment. Capital assets are recorded at original cost or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Interest incurred during construction is not capitalized. The cost of routine maintenance and repairs that do not add to the value of the assets or materially extend asset lives are charged to expenditures as incurred and are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives: Building over 50 to 70 years, Building improvements over 15-40 years, Land improvements over 20 years, and Vehicles and Equipment over 5 to 20 years. Major outlays for capital assets and improvements are capitalized as projects are constructed. A full year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds, using the straight line method in the government-wide financial statements. The straight line method does not differ significantly from the effective interest rate method. Unamortized premiums and discounts are presented as additions or subtractions from the face amount of the bonds; unamortized issuance costs are reported as deferred charges. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS (CONTINUED)

Early retirement benefits are recognized when paid (i.e., after the eligible employee retires).

ACCRUED COMPENSATED ABSENCES

Sick Leave

State law permits school employees to accumulate unused sick leave at the rate of ten days per year or one day per month worked, whichever is greater. There is no compensation for employees' unused accumulations upon termination of employment.

Accumulated unpaid vacation

Full-time employees are allowed to earn vacation leave. The rate at which vacation is earned is determined by the employee's length of employment.

USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported items. These can include the amounts of assets, liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expense/expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

CASH AND INVESTMENTS

For financial reporting purposes, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

FUND BALANCE

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE (CONTINUED)

- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The following order of spending is used regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

There are no committed fund balances at year end.

2. CASH AND INVESTMENTS

Cash and Investments at June 30, 2013 (recorded at fair value) consisted of:

Total investments	\$ 5,054,104
Local Government Employers Benefit Trust	32,708
Deposits with financial institutions	<u>834,516</u>
Total	<u>\$ 5,921,328</u>

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance at an approved depository as identified by the Treasury. For the fiscal year ended June 30, 2013, the bank balance was \$1,876,587, with \$1,224,584 of the balance in excess over FDIC. There was also a balance of \$42,703 held in a credit union, which was fully insured by NCUA.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be recovered. There is no formal deposit policy for custodial credit risk. For the fiscal year ended June 30, 2013, all deposits were collateralized in accordance with Oregon law.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

State statutes authorize the investment in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution.

Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The pool is not rated.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. At June 30, 2013 the fair value of the position in the LGIP approximates fair value of the Pool shares as reported in Oregon Short Term Fund audited financial statements. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

These are the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 5,054,104	\$ 5,054,104	\$ -	\$ -
Total	<u>\$ 5,054,104</u>	<u>\$ 5,054,104</u>	<u>\$ -</u>	<u>\$ -</u>

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Credit Risk

Oregon Statutes authorize investing in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date of more than 3 months.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the value of the investment will not be able to be recovered by collateral securities that are in the possession of an outside party. There is no formal investment policy for custodial credit risk.

Concentration Risk

At June 30, 2013, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. ACCOUNTS/GRANTS RECEIVABLE

Special revenue fund grants receivable are comprised of claims for reimbursement of costs under various federal and state grant programs. The receivables are considered fully collectible by management so no allowance for doubtful accounts has been made.

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures are recorded as unearned revenue on the statement of net position and the balance sheet.

Accounts receivable consist of amounts due from intermediate sources and miscellaneous reimbursements. Accounts receivable are considered by management to be fully collectible; therefore, no allowance for uncollectible accounts has been made.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. ACCOUNTS/GRANTS RECEIVABLE (CONTINUED)

DEFERRED REVENUE

On the fund financial statements, deferred revenue arises when resources do not satisfy both the measurable and available criteria for recognition in the current year, for example, if property taxes are received more than 60 days after year-end. In subsequent periods, when recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

PROPERTY TAXES RECEIVABLE

Uncollected real and personal property taxes are reflected on the statement of Net Position and the balance sheet as receivables. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens. All property taxes receivable are due from property owners within the District.

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Property taxes become a lien against the property when levied on July 1 of each year and are payable in three installments due on November 15, February 15 and May 15. Property tax collections are distributed monthly except for November, when such distributions are made weekly.

4. SUPPLY INVENTORY

	Other Governmental Funds
Commodities and purchased foods	\$ 42,319

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

The receipt and payment of monies through one central checking account, as well as transfers between funds, result in interfund payables and receivables until cash is transferred from one fund to the other. These amounts, clearly shown in the basic financial statements, represent current assets and liabilities and are reported as due to or due from other funds.

6. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2013 are as follows:

	Balance Beginning of Year	Additions	(Deletions)	Balance End Of Year
Fixed Assets Not Being Depreciated				
Land	\$ 4,086,141	\$ -	\$ (20,000)	\$ 4,066,141
Fixed Assets Being Depreciated				
Buildings & Improvements	64,482,589	-	(156,587)	64,326,002
Vehicles & Equipment	7,415,537	403,898	(412,377)	7,407,058
Total Fixed Assets Depreciated	71,898,126	403,898	(588,964)	71,733,060
Accumulated Depreciation				
Buildings & Improvements	25,941,847	1,856,769	(142,970.00)	27,655,646
Vehicles & Equipment	6,090,070	344,081	(272,764)	6,161,387
Total Accumulated Depreciation	32,031,917	2,200,850	(415,734)	33,817,033
Total Net Capital Assets	\$ 43,952,350	\$ 2,604,748	\$ (1,004,698)	\$ 41,982,168

Depreciation was allocated to the functions as followed:

Instruction	\$ 1,370,290
Support Services	725,159
Community Services	105,401
Total	<u>\$ 2,200,850</u>

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. RETIREMENT PLAN

Contributions are made to the State of Oregon Public Employees Retirement System (PERS), a cost sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (OPERS). PERS provides retirement and disability benefits, post employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Oregon Revised Statutes 238 assigns the authority to establish and amend benefits provisions to the PERS Board of Trustees and the State Legislature.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service.

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377 or by accessing the PERS website at www.oregon.gov/PERS.

Members of PERS are required to contribute 6% of their salary covered under the plan. This 6% contribution is paid by the District on behalf of the member. ORS 238.225 requires employer contributions at an actuarially determined rate. The employer contribution rate effective July 1, 2011 was 11.14% of salary covered under the plan for PERS Tier 1 and Tier 2 employees and 9.63% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). Contributions to the plan for the years ending June 30, 2013, 2012, and 2011 were \$5,597,449, \$5,236,682, and \$3,669,147 respectively.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM OBLIGATIONS

General Obligation Bonds

General obligation bonds were issued to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government funds and are reported in the Governmental Activities section of the government-wide financial statements. General obligation bonds are direct obligations and pledge the full faith and credit of the District. There are currently two outstanding general obligation bonds.

A summary of the general obligation bonds outstanding is as follows:

ISSUE	ORIGINAL ISSUE AMOUNT	INTEREST RATE	OUTSTANDING BALANCE 6/30/2013	FINAL MATURITY DATE
Series 2008	\$ 25,100,000	3.1-4.1%	\$ 17,660,000	6/15/2023
Series 2010	4,425,000	2.5-3.0%	2,795,000	6/15/2016
Total	<u>\$ 29,525,000</u>		<u>\$ 20,455,000</u>	

PERS Pension Obligation Bonds

During the years ended June 30, 2004 and 2002, the District issued PERS Pension Obligation Bonds. The net proceeds from these bonds were remitted to the Oregon Public Employees' Retirement System as a prepayment of the District's unfunded pension liability. The annual payments on the PERS Pension Obligation Bond are accounted for as additional contributions to the Public Employees' Retirement System by the District.

During the 2011-2012 fiscal year, the District refunded a portion of the 2002 PERS Pension Obligations Bonds. \$1,000,000 was issued of limited tax pension obligation bonds for the purpose of generating resources for the debt service payments of \$955,000 for the 2020-21 year of the 2002 limited tax pension obligation bonds. As a result, the refunded bonds were considered to be defeased, and the liability was removed from the government activities column of the statement of Net Position. The advance refunding was undertaken to reduce the total interest payments and resulted in an economic gain of \$69,778.

A summary of the pension obligation bonds outstanding is as follows:

ISSUE	INTEREST RATE	OUTSTANDING BALANCE 6/30/2013	FINAL MATURITY DATE
8/11/2011	2.06-6.10%	\$ 12,717,999	6/30/2028
2/19/2004	3.66-5.53%	10,330,000	6/30/2028
Total		<u>\$ 23,047,999</u>	

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM OBLIGATIONS (CONTINUED)

Qualified School Construction Bond

A Qualified School Construction Bond was issued in February 2010 with the proceeds used to enter into an agreement to purchase equipment, property, or property improvements.

A summary of the qualified school construction bond outstanding is as follows:

ISSUE	ORIGINAL ISSUE AMOUNT	INTEREST RATE	OUTSTANDING BALANCE 6/30/2013	FINAL MATURITY DATE
Series 2010	\$ 3,600,000	1.95%	\$ 3,010,000	3/16/2026
Total	<u>\$ 3,600,000</u>		<u>\$ 3,010,000</u>	

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance 7/1/12	Additions	Deletions	Ending Balance 6/30/13	Due Within One Year
Governmental Activities:					
Bonds payable:					
General Obligation Bonds	\$ 23,065,000	\$ -	\$ 2,610,000	\$ 20,455,000	\$ 2,805,000
Pension Obligation Bonds	23,470,899	-	422,900	23,047,999	484,750
QSCB	3,210,000	-	200,000	3,010,000	205,000
Capital Lease	60,000	-	60,000	-	-
Early retirement obligations	1,277,684	569,056	347,984	1,498,756	347,984
Unamortized bond premiums and (discounts)	501,357	-	89,436	411,921	-
Total Liabilities	<u>\$ 51,584,940</u>	<u>\$ 569,056</u>	<u>\$ 3,730,320</u>	<u>\$ 48,423,676</u>	<u>\$ 3,842,734</u>

On December 16, 2010, a general obligation refunding bond was issued in the amount of \$4,425,000. Principal payments are due annually on December 16. Interest is payable at rates that range between 2.50% and 3.00% Per annum. The funds were used to retire previously outstanding bonds which were issued on December 15, 2000, in the amount of \$9,100,000. Total debt service payable on the bond, including principal and interest was \$5,272,476. Total debt service after the refunding was \$4,905,994 for a total reduction of debt service amounting to \$366,482. The net present value of the savings is \$350,028.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM OBLIGATIONS (CONTINUED)

Early retirement payable

The collective bargaining agreements include an early retirement incentive plan for certified employees. Eligible employees are required to notify the District, in writing, 60 days prior to retirement date. To be eligible, an employee must be a certified staff member eligible to retire with benefits under the rules of the Public Employee's Retirement System (PERS) and applicable Oregon law. In addition, the electing employee must have had a minimum of fifteen years of service with the District prior to June 30, 2001. Employees after that date are not eligible for the early retirement benefit.

The contribution amount is the insurance cap in effect at the time of retirement until the retiree reaches age 65 or up to eight years, whichever occurs first. Employees retiring under the plan shall be available for service to the District for fifteen teaching days per school year for a period of four years. The District is funding the plan on a pay-as-you-go basis and plan participants have no obligation to contribute to the plan. During the year, benefits of \$347,984 were paid under the plan to 31 participants. 20 additional employees are eligible for this plan but not yet receiving benefits. The District reported an early retirement liability totaling \$1,498,756 at June 30, 2013. However, the liability amount is not in accordance with GASB Statement No. 45, *Other Post Employment Benefits*, as the District did not obtain an actuarial valuation for early retirement.

The future maturities of long-term obligations outstanding as of June 30, 2013 are as follows:

Fiscal Year	General Obligation				Pension Obligation Bonds			
	Series 2010		Series 2008		Series 2011		Series 2004	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 880,000	\$ 43,675	\$ 1,925,000	\$ 709,275	\$ 269,750	\$ 819,082	\$ 215,000	\$ 560,231
2015	930,000	30,475	2,075,000	641,900	278,793	865,039	265,000	549,926
2016	985,000	16,525	2,235,000	569,275	286,430	917,402	320,000	536,880
2017	-	-	1,280,000	479,875	290,986	972,846	380,000	520,807
2018	-	-	1,390,000	425,675	296,222	1,032,610	445,000	501,339
2019-23	-	-	8,755,000	1,167,675	3,905,818	3,761,733	3,430,000	2,069,028
2024-28	-	-	-	-	7,390,000	1,196,858	5,275,000	851,035
	<u>\$ 2,795,000</u>	<u>\$ 90,675</u>	<u>\$ 17,660,000</u>	<u>\$ 3,993,675</u>	<u>\$ 12,717,999</u>	<u>\$ 9,565,570</u>	<u>\$ 10,330,000</u>	<u>\$ 5,589,246</u>

Fiscal Year	Qualified School Construction Bond		Early Voluntary	Totals	
	Series 2010		Retirement Obligation	Principal	Interest
	Principal	Interest			
2014	\$ 205,000	\$ 58,695	\$ 347,984	\$ 3,842,734	\$ 2,190,958
2015	210,000	54,697	311,793	4,070,586	2,142,037
2016	215,000	50,603	248,981	4,290,411	2,090,685
2017	220,000	46,410	227,091	2,398,077	2,019,938
2018	220,000	42,120	153,261	2,504,483	2,001,744
2019-23	1,175,000	144,300	209,646	17,475,464	7,142,736
2024-28	765,000	30,030	-	13,430,000	2,077,923
	<u>\$ 3,010,000</u>	<u>\$ 426,855</u>	<u>\$ 1,498,756</u>	<u>\$ 48,011,755</u>	<u>\$ 19,666,021</u>

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES

A substantial portion of operating funding is received from the State of Oregon. State funding is determined through state-wide revenue projections that are paid to individual school districts based on pupil counts and other factors in the state school fund revenue formula. Since these projections and pupil counts fluctuate, they can cause either increases or decreases in revenue. Due to these future uncertainties at the state level, the future effect on operations cannot be determined.

A number of federally assisted grant programs are participated in. These programs are subject to program compliance audits by the grantors or their representatives. Compliance with grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although such amounts are expected by management to be immaterial.

10. CONTINGENCIES - SICK LEAVE

Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2013, employees had accumulated 23,195 days of sick leave.

11. RISK MANAGEMENT

There is exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which commercial insurance is carried to minimize the exposure to these risks. Settled claims have not exceeded this commercial coverage.

Workers' compensation insurance is purchased from a commercial carrier. Premiums are determined based on payroll paid at various employment classification rates. Loss prevention services are available from the carrier, and there is no potential liability beyond the premiums paid.

12. OPERATING LEASE

There are operating leases for copy machines. Total lease expenditures for the year amounted to \$100,560.

Remaining minimum lease payments are as follows:

2013-2014	\$ 92,825
2014-2015	56,385
2015-2016	4,649
2016-2017	<u>1,937</u>
	<u>\$ 155,796</u>

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. ACCRUED VACATION

At the beginning of the fiscal year, the District had an accrued vacation liability totaling \$102,147. During the year, the liability had a net decrease of \$3,669, resulting in total accrued vacation liability of \$98,478 as of June 30, 2013.

14. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for school operations are limited to \$5.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt. The result of this requirement has been that school districts have become more dependent upon state funding and less dependent upon property tax revenues as their major source of operating revenue.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

15. FUND BALANCE CONSTRAINTS

The specific purposes for each of the categories of fund balance as of June 30, 2013 are as follows:

Fund Balances:	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
<u>Nonspendable:</u>					
Prepaid & Inventory	\$ -	\$ -	\$ -	\$ 42,319	\$ 42,319
<u>Restricted:</u>					
Unemployment Reserve	54,842	-	-	-	54,842
Bus Replacement	8,372	-	-	-	8,372
Grants	-	301,629	-	-	301,629
Capital Projects	-	-	1,450,675	-	1,450,675
Debt Service	-	-	-	297,877	297,877
	<u>63,214</u>	<u>301,629</u>	<u>1,450,675</u>	<u>297,877</u>	<u>2,113,395</u>
<u>Assigned to:</u>					
School Lunch	-	-	-	415,570	415,570
Community Education	-	-	-	-	-
Student Body	-	-	-	486,801	486,801
	<u>-</u>	<u>-</u>	<u>-</u>	<u>902,371</u>	<u>902,371</u>
Unassigned:	<u>2,299,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,299,003</u>
Total Fund Balances	<u>\$ 2,362,217</u>	<u>\$ 301,629</u>	<u>\$ 1,450,675</u>	<u>\$ 1,242,567</u>	<u>\$ 5,357,088</u>

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HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 10,650,000	\$ 10,650,000	\$ 11,354,908	\$ 704,908
Intermediate sources	1,023,000	1,023,000	1,070,399	47,399
State sources	25,015,711	25,015,711	26,276,772	1,261,061
Federal sources	500,000	500,000	255,975	(244,025)
Total revenues	37,188,711	37,188,711	38,958,054	1,769,343
Expenditures:				
Instruction	23,724,044	23,989,036 (1)	23,838,317	150,719
Support services	13,262,774	13,262,774 (1)	13,612,707	(349,933)
Debt service	328,000	328,000 (1)	325,175	2,825
Contingency	500,000	235,008 (1)	-	235,008
Total expenditures	37,814,818	37,814,818	37,776,199	38,619
Revenues over (under) expenditures	(626,107)	(626,107)	1,181,855	1,807,962
Other financing sources (uses):				
Sale of capital assets	-	-	2,795	2,795
Transfers in	500,000	500,000	500,000	-
Transfers out	(218,000)	(218,000) (1)	(134,416)	83,584
Total other financing sources (uses)	282,000	282,000	368,379	86,379
Net change in fund balance	(344,107)	(344,107)	1,550,234	1,894,341
Fund balance, beginning of year	844,107	844,107	748,769	(95,338)
Fund balance, end of year	<u>\$ 500,000</u>	<u>\$ 500,000</u>	2,299,003	<u>\$ 1,799,003</u>

(1) Appropriation level

RECONCILIATION TO GAAP FUND BALANCE AS REQUIRED BY GASB 54

Ending Fund Balance:	
Unemployment Reserve Fund	54,842
Bus Replacement Reserve Fund	8,372
Operational Reserve Fund	-
	<u>\$ 2,362,217</u>

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
 GRANTS - SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 100,000	\$ 100,000	\$ 569,093	\$ 469,093
Intermediate sources	-	-	771,548	771,548
State Sources	-	-	1,485	1,485
Federal sources	5,060,000	5,060,000	2,151,141	(2,908,859)
Total revenues	5,160,000	5,160,000	3,493,267	(1,666,733)
Expenditures:				
Instruction	4,000,000	4,000,000 (1)	2,693,854	1,306,146
Support services	2,000,000	2,000,000 (1)	1,095,325	904,675
Community service	100,000	100,000 (1)	43,913	56,087
Facilities Acquisition	100,000	100,000 (1)	-	100,000
Total expenditures	6,200,000	6,200,000	3,833,092	2,366,908
Revenues over (under) expenditures	(1,040,000)	(1,040,000)	(339,825)	700,175
Other Financing Sources, -Uses:				
Transfers In	40,000	40,000	-	(40,000)
Net change in fund balance	(1,000,000)	(1,000,000)	(339,825)	660,175
Fund balance, beginning of year	1,000,000	1,000,000	641,454	(358,546)
Fund balance, end of year	\$ -	\$ -	\$ 301,629	\$ 301,629
(1) Appropriation level				

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
 CAPITAL CONSTRUCTION FUND (A MAJOR FUND) -
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 200,000	\$ 200,000	\$ 253,885	\$ 53,885
Total revenues	200,000	200,000	253,885	53,885
Expenditures:				
Facilities acquisition and construction	1,200,000	1,200,000 (1)	65,321	1,134,679
Total expenditures	1,200,000	1,200,000	65,321	1,134,679
Revenues over (under) expenditures	(1,000,000)	(1,000,000)	188,564	1,188,564
Other Financing Sources, -Uses:				
Sale of assets	-	-	725,373	725,373
Net change in fund balance	(1,000,000)	(1,000,000)	913,937	1,913,937
Fund balance, beginning of year	1,000,000	1,000,000	536,738	(463,262)
Fund balance, end of year	\$ -	\$ -	\$ 1,450,675	\$ 1,450,675

(1) Appropriation level

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Food Service Fund	Community Education Fund	Student Body Fund	Debt Service Fund	Total
ASSETS					
Cash and cash equivalents	\$ 193,947	\$ 22,760	\$ 486,801	\$ 274,834	\$ 978,342
Receivables:					
Taxes	-	-	-	196,242	196,242
Accounts	224,302	7,083	-	13,667	245,052
Supply inventories	42,319	-	-	-	42,319
	<u>42,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,319</u>
Total assets	<u>\$ 460,568</u>	<u>\$ 29,843</u>	<u>\$ 486,801</u>	<u>\$ 484,743</u>	<u>\$ 1,461,955</u>
LIABILITIES AND EQUITY					
Liabilities:					
Accounts payable	\$ 2,679	\$ 29,843	\$ -	\$ -	\$ 32,522
Deferred revenues	-	-	-	186,866	186,866
	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,866</u>	<u>186,866</u>
Total liabilities	<u>2,679</u>	<u>29,843</u>	<u>-</u>	<u>186,866</u>	<u>219,388</u>
Fund balances:					
Nonspendable	42,319	-	-	-	42,319
Restricted	-	-	-	297,877	297,877
Assigned	415,570	-	486,801	-	902,371
	<u>415,570</u>	<u>-</u>	<u>486,801</u>	<u>-</u>	<u>902,371</u>
Total fund balance	<u>457,889</u>	<u>-</u>	<u>486,801</u>	<u>297,877</u>	<u>1,242,567</u>
Total liabilities and fund balance	<u>\$ 460,568</u>	<u>\$ 29,843</u>	<u>\$ 486,801</u>	<u>\$ 484,743</u>	<u>\$ 1,461,955</u>

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Food Service Fund	Community Education Fund	Student Body Fund	Debt Service Fund	Total
Revenues:					
Local sources	\$ 320,731	\$ 751,759	\$ 1,157,485	\$ 3,638,291	\$ 5,868,266
State sources	17,921	10,080	-	-	28,001
Federal sources	1,362,402	-	-	-	1,362,402
Total revenues	1,701,054	761,839	1,157,485	3,638,291	7,258,669
Expenditures:					
Instruction	-	206,318	1,200,265	-	1,406,583
Support services	-	99	-	-	99
Community services	1,624,873	589,838	-	-	2,214,711
Debt service	-	-	-	3,489,634	3,489,634
Total expenditures	1,624,873	796,255	1,200,265	3,489,634	7,111,027
Revenues over (under) expenditures	76,181	(34,416)	(42,780)	148,657	147,642
Other financing sources (uses):					
Transfer in	-	34,416	-	-	34,416
Total other financing sources (uses):	-	34,416	-	-	34,416
Net change in fund balance	76,181	-	(42,780)	148,657	182,058
Fund balances, beginning of year	381,708	-	529,581	149,220	1,060,509
Fund balances, end of year	\$ 457,889	\$ -	\$ 486,801	\$ 297,877	\$ 1,242,567

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
FOOD SERVICE-SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 400,000	\$ 400,000	\$ 320,731	\$ (79,269)
State Sources	-	-	17,921 (2)	17,921
Federal sources	1,100,000	1,100,000	1,362,402	262,402
Total revenues	1,500,000	1,500,000	1,701,054	201,054
Expenditures:				
Enterprise and community services	1,800,000	1,800,000 (1)	1,624,873	175,127
Total expenditures	1,800,000	1,800,000	1,624,873	175,127
Net change in fund balance	(300,000)	(300,000)	76,181	376,181
Fund balance, beginning of year	300,000	300,000	381,708	81,708
Fund balance, end of year	\$ -	\$ -	\$ 457,889	\$ 457,889

(1) Appropriation level

(2) The total amount of this revenue source is state lunch matching funds

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
COMMUNITY EDUCATION-SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 1,010,000	\$ 1,010,000	\$ 751,759	\$ (258,241)
State sources	-	-	10,080	10,080
Total revenues	1,010,000	1,010,000	761,839	(248,161)
Expenditures:				
Instruction	400,000	400,000 (1)	206,318	193,682
Support services	10,000	10,000 (1)	99	9,901
Enterprise and community services	600,000	600,000 (1)	589,838	10,162
Total expenditures	1,010,000	1,010,000	796,255	213,745
Revenues over (under) expenditures	-	-	(34,416)	(34,416)
Other financing sources (uses)				
Transfer in	-	-	34,416	34,416
Total other financing sources (uses)	-	-	34,416	34,416
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

(1) Appropriation level

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
 STUDENT BODY-SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 1,000,000	\$ 1,000,000	\$ 1,157,485	\$ 157,485
Total revenues	1,000,000	1,000,000	1,157,485	157,485
Expenditures:				
Instruction	1,400,000	1,400,000 (1)	1,200,265	199,735
Total expenditures	1,400,000	1,400,000	1,200,265	199,735
Net change in fund balance	(400,000)	(400,000)	(42,780)	357,220
Fund balance, beginning of year	400,000	400,000	529,581	129,581
Fund balance, end of year	\$ -	\$ -	\$ 486,801	\$ 486,801

(1) Appropriation level

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
 DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>
Revenues:				
Local Sources	\$ 3,299,675	\$ 3,299,675	\$ 3,638,291	\$ 338,616
Total revenues	<u>3,299,675</u>	<u>3,299,675</u>	<u>3,638,291</u>	<u>338,616</u>
Expenditures:				
Debt service	<u>3,499,675</u>	<u>3,499,675 (1)</u>	<u>3,489,634</u>	<u>10,041</u>
Total expenditures	<u>3,499,675</u>	<u>3,499,675</u>	<u>3,489,634</u>	<u>10,041</u>
Net change in fund balance	(200,000)	(200,000)	148,657	348,657
Fund balance, beginning of year	<u>200,000</u>	<u>200,000</u>	<u>149,220</u>	<u>(50,780)</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 297,877</u></u>	<u><u>\$ 297,877</u></u>

(1) Appropriation level

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
 UNEMPLOYMENT RESERVE-SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance to Final Budget
Expenditures:				
Support services	\$ 100,000	\$ 100,000 (1)	\$ 87,404	\$ 12,596
Total expenditures	100,000	100,000	87,404	12,596
Revenues over (under) expenditures	(100,000)	(100,000)	(87,404)	12,596
Other Financing Sources (Uses)				
Transfer In	30,000	30,000	-	(30,000)
Total Other Financing Sources (Uses)	30,000	30,000	-	(30,000)
Net change in fund balance	(70,000)	(70,000)	(87,404)	(17,404)
Fund balance, beginning of year	70,000	70,000	142,246	72,246
Fund balance, end of year	\$ -	\$ -	\$ 54,842	\$ 54,842

(1) Appropriation level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54 due to its financing resources being derived primarily from General Fund transfers.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
BUS REPLACEMENT-SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance to Final Budget
Expenditures:				
Support services	\$ 260,000	\$ 260,000 (1)	\$ 271,745	\$ (11,745)
Total expenditures	260,000	260,000	271,745	(11,745)
Revenues over (under) expenditures	(260,000)	(260,000)	(271,745)	(11,745)
Other financing sources (uses)				
Transfer in	148,000	148,000	100,000	(48,000)
Sale of asset	-	-	132,000	132,000
Total other financing sources (uses)	148,000	148,000	232,000	84,000
Net change in fund balance	(112,000)	(112,000)	(39,745)	72,255
Fund balance, beginning of year	112,000	112,000	48,117	(63,883)
Fund balance, end of year	\$ -	\$ -	\$ 8,372	\$ 8,372

(1) Appropriation level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54 due to its financing resources being derived primarily from General Fund transfers.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
 OPERATIONAL RESERVE
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>
Other financing sources (uses)				
Transfers out	\$ (500,000)	\$ (500,000) (1)	\$ (500,000)	\$ -
Net change in fund balance	(500,000)	(500,000)	(500,000)	-
Fund balance, beginning of year	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(1) Appropriation level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54 due to its financing resources being derived primarily from General Fund transfers.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor Program Title or Cluster	Grant Award	CFDA No.	Grant Amount	12-13 Revenues	12-13 Expenditures
DEPARTMENT OF EDUCATION					
Passed through State Department of Education:					
Special Education - Grants to States	2012-2013	84.027	\$ 691,514	\$ 691,514	\$ 691,514
	2011-2012	84.027/173	4,069	11,924	11,924
	2012-2013	84.027/173	7,276	-	-
	2012-2013	84.027	3,316	3,316	3,316
	2012-2013	84.027	5,347	5,347	5,347
	2012-2013	84.027	900	900	900
	2011-2012	84.027	5,305	392	392
	2012-2013	84.027	5,305	5,305	5,305
					<u>718,698</u> (1)
Migrant Education - State Grant Program	2011-2012	84.011	323,828	102,329	102,329
	2012-2013	84.011	344,407	243,732	243,732
					<u>346,061</u> (1)
Title I Grants to Local Educational Agencies	2012-2013	84.010	825,855	748,265	748,265 (1)
Improving Teacher Quality State Grants	2012-2013	84.367	163,283	161,642	161,642
English Language Acquisition State Grants	2012-2013	84.365	113,751	108,150	108,150
Title I State Agency Program for Neglected Delinquent Children and Youth	2012-2013	84.013	13,377	13,377	13,377
Career and Technical Education - Basic Grants to State	2011-2012	84.048	37,090	1,769	1,769
	2012-2013	84.048	36,205	33,156	33,156
					<u>34,925</u>
Fresh Fruit and Vegetable Program	2011-2012	10.582	23,821	-	-
	2012-2013	10.582	23,220	23,746	23,746
					<u>23,746</u>
Statewide Data Systems	2012-2013	84.372	15,000	15,000	15,000
TOTAL DEPARTMENT OF EDUCATION				<u>2,169,864</u>	<u>2,169,864</u>

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

DEPARTMENT OF AGRICULTURE

Passed through State Department of Education:

National School Lunch:

Commodities Supplemental Food Program	2012-2013	10.565	\$ 99,882	\$ 99,882	\$ 99,882
School Breakfast Program	2012-2013	10.553	288,700	288,700	288,700
National School Lunch Program	2012-2013	10.555	958,410	958,410	958,410
Summer Food Service Program for Children	2012-2013	10.559	15,410	15,410	15,410

1,362,402

Passed through Hood River County:

School and Roads - Grants to States	2012-2013	10.665	217,139	217,139	217,139 (1)
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TOTAL DEPARTMENT OF AGRICULTURE

1,579,541 1,579,541

OTHER FEDERAL SOURCES

Passed through Employment Dept

Child Care and Development Block Grant	2012-2013	93.575	20,113	20,113	20,113
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TOTALS

\$ 3,769,518 \$ 3,769,518

Note 1 - Basis of Presentation

This schedule of federal awards includes the federal grant activity and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Food Distribution

Nonmonetary assistance is reported in this schedule at the fair value of the commodities received and disbursed. During the 2012-13 fiscal year, the district received U.S.D.A. commodities in the amount of \$99,881.65.

(1) - Major Program

**HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON**

GENERAL FUND

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the Year Ended June 30, 2013**

Transactions By Year	Original Levy or Balanced Uncollected at July 1, 2012	Interest	Discounts	Collections	Adjustments	Property Taxes Uncollected at June 30, 2013
2012-2013	\$ 10,981,059	\$ 5,775	\$ 273,858	\$ 10,373,930	\$ (57,291)	\$ 275,980
2011-2012	345,444	14,103	(23)	184,497	(2,740)	158,230
2010-2011	189,921	18,256	(36)	93,027	(5,116)	91,814
2009-2010	122,347	24,378	(5)	78,058	(5,377)	38,917
2008-2009	31,984	6,738	(5)	17,532	(878)	13,579
2007-2008 & Prior	17,447	4,193	(10)	5,834	(2,753)	8,870
	<u>\$ 11,688,202</u>	<u>\$ 73,443</u>	<u>\$ 273,779</u>	<u>\$ 10,752,878</u>	<u>\$ (74,155)</u>	<u>\$ 587,390</u>

Reconciliation to revenue:

Collections	\$ 10,752,878
Accrual of receivables:	
June 30, 2012	76,079
June 30, 2013	28,243
Taxes in lieu	<u>(66,779)</u>
	<u>\$ 10,790,421</u>

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
DEBT SERVICE FUND
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
For the Year Ended June 30, 2013

Transactions By Year	Original Levy or Balanced Uncollected at July 1, 2012	Interest	Discounts	Collections	Adjustments	Property Taxes Uncollected at June 30, 2013
2012-2013	\$ 3,695,681	\$ 1,943	\$ 92,167	\$ 3,491,352	\$ (19,281)	\$ 92,881
2011-2012	113,671	4,641	(7)	60,710	(901)	52,067
2010-2011	61,474	5,999	(12)	30,567	(751)	30,168
2009-2010	40,512	8,357	(2)	26,758	(415)	13,341
2008-2009	11,106	2,312	(2)	6,015	(434)	4,659
2007-2008 & Prior	6,090	1,478	(3)	2,056	(911)	3,126
	<u>\$ 3,928,534</u>	<u>\$ 24,730</u>	<u>\$ 92,141</u>	<u>\$ 3,617,458</u>	<u>\$ (22,693)</u>	<u>\$ 196,242</u>

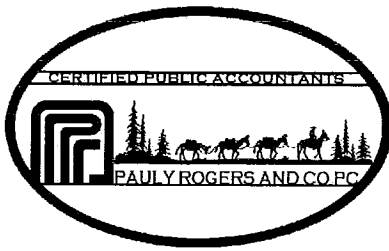
Reconciliation to revenue:

Collections	\$ 3,617,458
Accrual of receivables	
June 30, 2012	25,255
June 30, 2013	9,376
Taxes in Lieu	<u>(23,835)</u>
	<u>\$ 3,628,254</u>

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT AS REQUIRED BY
OREGON STATE REGULATIONS

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December 2, 2013

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Hood River County School District as of and for the year ended June 30, 2013, and have issued our report thereon dated December 2, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

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

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

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

In connection with our testing, nothing came to our attention that caused us to believe the Hood River County School District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. We noted expenditures that exceeded authorized amounts as noted on page 23.
2. During our testing of budget compliance, we noted that the notice of the budget hearing for the 2013-2014 budget was not published 5 to 30 days prior to the hearing in accordance with ORS 294.

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in the schedule of findings and questioned costs on pages 60 and 61.

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

A handwritten signature in black ink that reads "Tara M. Kamp, CPA". The signature is written in a cursive, flowing style.

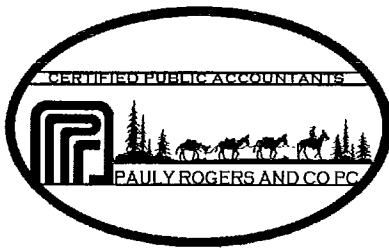
Tara M. Kamp, CPA

PAULY, ROGERS AND CO., P.C.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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December 2, 2013

To the Board of Directors
Hood River County School District
Hood River County, Oregon

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hood River County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

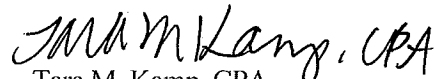
As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the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

We noted certain matters that we reported to management on the Schedule of Findings and Questioned Costs.

The management responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.



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December 2, 2013

To the Board of Directors
Hood River County School District
Hood River County, Oregon

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited Hood River County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2013. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

Opinion on Each Major Federal Program

In our opinion, Hood River County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

For the Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued

Modified

Internal control over financial reporting:

Material weakness(es) identified?

☐ yes

☒ no

Significant deficiency(s) identified that are not considered
to be material weaknesses?

☒ yes

☐ none reported

Noncompliance to material financial statements noted?

☐ yes

☒ no

Any GAGAS audit findings disclosed that are required to be reported
In accordance with section 505(d)(2) of OMB Circular A-133?

☐ yes

☒ no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?

☐ yes

☒ no

Significant deficiency(s) identified that are not considered
to be material weaknesses?

☐ yes

☒ none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance
with OMB Circular A-133, section 510(a)?

☐ yes

☒ no

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

SCHEDULE OF AUDIT FINDINGS
AND QUESTIONED COSTS

For the Year Ended June 30, 2013

IDENTIFICATION OF MAJOR PROGRAMS

CFDA NUMBER **NAME OF FEDERAL PROGRAM CLUSTER**

84.027 and 84.173	Special Education – Grants to States
84.011	Migrant Education – State Grant Program
84.010	Title I Grants to Local Educational Agencies
10.665	School and Roads – Grants to States

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?

☐ yes

☒ no

SECTION II – FINANCIAL STATEMENT FINDINGS

2012-FS-1

CONDITION:

We noted in our testing of credit card use that many receipts were missing.

CRITERIA:

All expenditures should have backup documentation.

EFFECT:

Without documentation, we are unable to determine the appropriateness of the expenditures.

CAUSE:

Insufficient documentation of credit card expenditures.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

For the Year Ended June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

RECOMMENDATION:

We recommend the District collect receipts or invoices as backup for all expenditures prior to payment. If a receipt or invoice is lost, we recommend the District first pursue getting a copy from the vendor or company. If this is not a viable option, we recommend a form is filled out documenting the details of the expenses as well as the signature of the person responsible for the purchase.

MANAGEMENT RESPONSE:

District concurs. The new chief financial officer will revise procedures for documentation of credit card expenditures, develop a form to document any unsubstantiated expenditure and provide staff training to ensure compliance.

2012-FS-2

CONDITION:

There are no written internal control policies or procedures.

CRITERIA:

The District should adopt formal policies/procedures for all financial accounting and reporting areas.

EFFECT:

Without adequate documentation of internal controls, it is difficult for management and the board to ensure that assets are being safeguarded and that policies concerning controls are being adhered to.

CAUSE:

Insufficient documentation of internal controls.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

For the Year Ended June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

RECOMMENDATION:

We recommend the District document its internal controls.

MANAGEMENT RESPONSE:

District concurs. The new chief financial will revise procedures for documentation of credit card expenditures, develop a form to document any unsubstantiated expenditure and provide staff training to ensure compliance.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None reported.

SECTION IV – SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None Noted.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. **BASIS OF PRESENTATION**

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