

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

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

2014-15

FINANCIAL REPORT

\*\*\*\*\*

This Page Intentionally Left Blank

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

BOARD OF DIRECTORS AS OF JUNE 30, 2015

BOARD OF EDUCATION

TERM EXPIRES

|                            |            |
|----------------------------|------------|
| Jan Veldhuisen Virk, Chair | June, 2017 |
| Kateri Osborne Lohr        | June, 2015 |
| Liz Whitmore               | June, 2015 |
| David Russo, Vice Chair    | June, 2017 |
| Julia Garcia-Ramirez       | June, 2017 |
| Bob Danko                  | June, 2015 |
| Mark Johnson               | June, 2017 |
| Rob Brostoff               | June, 2015 |

ADMINISTRATION

Dan Goldman, Superintendent

Sandra Buchanan, M.B.A., Chief Financial Officer

1011 Eugene Street  
Hood River, OR 97031

This Page Intentionally Left Blank

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

**TABLE OF CONTENTS**

|                                                                                                                          | <b><u>PAGE<br/>NUMBER</u></b> |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| INDEPENDENT AUDITORS' REPORT                                                                                             | 1                             |
| <br><b><u>REQUIRED SUPPLEMENTAL INFORMATION</u></b>                                                                      |                               |
| MANAGEMENT'S DISCUSSION AND ANALYSIS                                                                                     | i                             |
| <br><b><u>BASIC FINANCIAL STATEMENTS</u></b>                                                                             |                               |
| Government Wide Financial Statements:                                                                                    |                               |
| Statement of Net Position                                                                                                | 4                             |
| Statement of Activities                                                                                                  | 5                             |
| Fund Financial Statements:                                                                                               |                               |
| Balance Sheet - Governmental Funds                                                                                       | 6                             |
| Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position                                          | 7                             |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds                                    | 8                             |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the<br>Statement of Activities | 9                             |
| Notes to Basic Financial Statements                                                                                      | 10                            |
| <br><b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>                                                                     |                               |
| Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions                               | 38                            |
| Schedule of Funding Progress:                                                                                            |                               |
| Early Retirement                                                                                                         | 39                            |
| Post-Employment Health Care                                                                                              | 40                            |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –                                     |                               |
| General Fund                                                                                                             | 41                            |
| Grants Fund                                                                                                              | 42                            |
| <br><b><u>SUPPLEMENTARY INFORMATION</u></b>                                                                              |                               |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –                                     |                               |
| Capital Construction Fund                                                                                                | 43                            |
| Nonmajor Governmental Funds                                                                                              |                               |
| Combining Balance Sheet                                                                                                  | 44                            |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances                                               | 45                            |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –                                     |                               |
| Food Service Fund                                                                                                        | 46                            |
| Community Education Fund                                                                                                 | 47                            |
| Student Body Fund                                                                                                        | 48                            |
| Debt Service Fund                                                                                                        | 49                            |
| Unemployment Reserve Fund                                                                                                | 50                            |
| Bus Replacement Fund                                                                                                     | 51                            |
| Schedule of Expenditures of Federal Awards                                                                               | 52                            |

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

TABLE OF CONTENTS CONTINUED

PAGE  
NUMBER

**SUPPLEMENTARY INFORMATION (CONTINUED)**

|                                                                                               |    |
|-----------------------------------------------------------------------------------------------|----|
| Schedule of Property Taxes Transactions and Balances of Taxes Uncollected – General Fund      | 54 |
| Schedule of Property Taxes Transactions and Balances of Taxes Uncollected – Debt Service Fund | 55 |

|                                                                                 |    |
|---------------------------------------------------------------------------------|----|
| <b><u>INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS</u></b> | 56 |
|---------------------------------------------------------------------------------|----|

**GRANT COMPLIANCE-SINGLE AUDIT:**

|                                                                                                                                                                                                                                 |    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance<br>And Other Matters Based on an Audit of Financial Statements Performed in Accordance with<br><i>Government Auditing Standards</i> | 58 |
| Independent Auditors' Report on Compliance for Each Major Program and on<br>Internal Control over Compliance Required by OMB Circular A-133                                                                                     | 60 |
| Schedule of Findings and Questioned Costs                                                                                                                                                                                       | 62 |



PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcpcpas.com

December 19, 2015

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, 2015, 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.

### **Opinions**

In our opinion, 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, 2015, 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 provision of GASB Statement No. 68, *Accounting and Reporting for Pensions*, as well as the provisions of GASB Statement No. 71, *Pensions Transitions for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015. 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 supplementary 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 management's discussion and analysis 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.

### *Supplementary 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 awards 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 and the schedule of expenditures of federal awards 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

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 19, 2015 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 reports dated December 19, 2015, 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 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.

This Page Intentionally Left Blank

**HOOD RIVER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

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, 2015 and 2014. 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.

**NEW ACCOUNTING STANDARDS IMPLEMENTED**

The District implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB Statement 68), and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68* (GASB Statement 71), in fiscal year 2015. GASB Statement 68 establishes new accounting and financial reporting requirements related to pensions provided by governments, while GASB Statement 71 establishes guidance for contributions made after the measurement date of the net pension liability. The objective is to reflect the status of pensions on the governmental financial statements. The implementation of GASB Statement 68 resulted in the reduction in the beginning net position by \$25,211,391.

**FINANCIAL HIGHLIGHTS**

- In the government-wide statement of net position as of June 30, 2015, the assets of the District exceeded liabilities and deferred inflows of resources by \$3,875,626.
- The District's total net position decreased by \$3,231,035 for the fiscal year, a 20 percent decline in the District's financial position as compared to the prior year prior to the restatement.
- The District demonstrated compliance with the requirements of GASB 68 to report its net pension asset for the first time. Note 7 of the Basic Financial Statements includes more information about the pension plan.
- The District's governmental funds report combined ending fund balance of \$8,588,063, an increase of \$2,734,408 from the prior year. Approximately 54 percent of this total amount, \$4,662,277, is unassigned, available for appropriation at the District's discretion. The remaining fund balances are either nonspendable, restricted or assigned: \$53,286 for nonspendable prepaid and inventory, \$1,720,229 for use on capital projects, \$421,495 for grants, \$352,388 for debt service, and 1,378,388 assigned for other purposes.
- At the end of the current fiscal year, the unrestricted ending fund balance (the total of assigned and unassigned components of fund balance) for the General Fund was \$4,842,767. Of the total, \$138,941 was assigned to unemployment reserves and \$41,549 was assigned to bus replacement. The unassigned fund balance of \$4,662,277 increased by \$2,181,999 as compared to the prior year's unassigned fund balance of \$2,480,278.
- Total cost of all of the District's programs was \$40,627,361 for the fiscal year, a decrease of \$7,924,548 or 16.3 percent from the prior year.

- Capital assets additions of \$232,968 were from building improvements of \$60,444 and vehicles and equipment purchases of \$172,524. Note 6 of the Basic Financial Statements includes more information about the capital assets.
- The District made all scheduled payments to reduce total debt by \$3,968,924 and did not issue any new debt in 2015. The other post-employment benefits (OPEB) liability increased by \$136,078 for a net decrease in long term liabilities of \$3,832,846.

## 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 such as instruction, support services, community services, and interest on long-term debt are primarily financed through property taxes, Oregon's State School Fund, and other intergovernmental revenues.

The government-wide financial statements are on pages 4 and 5 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's function category, and for certain funds, at the fund level.

The basic governmental fund financial statements are on pages 6 through 9 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 are on pages 10 through 37 of this report.

**Supplementary information.** Schedules presenting detailed budgetary information for individual funds, schedules of the proportionate share of the net pension liability and contributions, schedules of funding progress and employer contributions of the early retirement program and of post-employment health care, and other supplementary information are on pages 34 through 50 of this report.

### **Government-wide Financial Analysis**

**Statement of Net Position.** As noted earlier, net position over time may serve as a useful indicator of a government's financial position. As of June 30, 2015, the District's assets exceeded liabilities by \$3,875,626. This is an improvement from the required restatement of net position of (\$9,052,365) as of June 30, 2014 due to compliance with GASB Statement 68.

Capital assets, which consist of the District's land, buildings, improvements, vehicles, and equipment, represent 67 percent of total assets. The remaining assets consist of cash and investments, property tax receivables, supply inventory, and net pension asset.

The District's largest liability is for the repayment of general obligation and PERS bonds that represent 92 percent of total liabilities. Current liabilities include accounts payable, salaries and contracts payable, accrued interest payable, accrued vacation, and unearned revenue that represent 8 percent of total liabilities.

The District adopted the provision of GASB Statement 68, *Accounting and Reporting for Pensions*, as well as the provisions of GASB Statement 71, *Pensions Transitions for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015. The deferred inflow of resources is the net deferred pension asset of \$9,168,828, and is reported in the financial statements for the first time in 14-15 in compliance with GASB Statements 68 and 71. Detailed information about the pension plan and the net pension asset are in Note 7 of the Basic Financial Statements.

The District demonstrated compliance with the requirements of GASB Statements 27 and 45 through its actuarial valuation report to be applied to the reporting periods ending June 30, 2014 and June 30, 2015. The report reflects a net stipend/other post-employment benefits obligation on June 30, 2013 as if the District had been in compliance with the requirements of GASB Statements 27 and 45 since July 1, 2008. Note 8 details the District's other post-employment benefits (OPEB). Note 9 shows the OPEB liability within the table of changes in long-term liability. The schedules of funding progress and employer contributions for the early retirement program and post-employment health care are included in the required supplementary information section.

The largest portion of the District's net position of \$25,661,491 reflects its net 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 \$2,494,112 represents resources that are subject to external restrictions on how they may be used. The District reports a negative unrestricted balance of \$24,279,977 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 \$12,927,991 from the prior year.

Net Position as of June 30, 2015 and June 30, 2014

|                                            | Governmental Activities |                     |                       |
|--------------------------------------------|-------------------------|---------------------|-----------------------|
|                                            | FY 2015                 | FY 2014*            | Incr/(Decr)           |
| <b>Assets</b>                              |                         |                     |                       |
| Current and other assets                   | \$18,852,850            | \$23,347,432        | (\$4,494,582)         |
| Capital assets                             | 38,519,019              | 40,539,540          | (2,020,521)           |
| <b>Total Assets</b>                        | <b>57,371,869</b>       | <b>63,886,972</b>   | <b>(6,515,103)</b>    |
| <b>Liabilities</b>                         |                         |                     |                       |
| Long-term obligations                      | 40,958,388              | 44,791,234          | (3,832,846)           |
| Other liabilities                          | 3,369,027               | 2,936,712           | 432,315               |
| <b>Total Liabilities</b>                   | <b>44,327,415</b>       | <b>47,727,946</b>   | <b>(3,400,531)</b>    |
| <b>Deferred Inflows of Resources</b>       |                         |                     |                       |
| Net deferred pension asset                 | 9,168,828               | 0                   | 9,168,828             |
| <b>Total Deferred Inflows of Resources</b> | <b>9,168,828</b>        | <b>0</b>            | <b>9,168,828</b>      |
| <b>Net Position:</b>                       |                         |                     |                       |
| Net investment in capital assets           | 25,661,491              | 22,768,845          | 2,892,646             |
| <b>Restricted for:</b>                     |                         |                     |                       |
| Grants                                     | 421,495                 | 321,784             | 99,711                |
| Capital Projects                           | 1,720,229               | 1,443,959           | 276,270               |
| Debt Service                               | 352,388                 | 325,436             | 26,952                |
| Unrestricted                               | (24,279,977)            | (8,700,998)         | (15,578,979)          |
| <b>Total Net Position</b>                  | <b>\$3,875,626</b>      | <b>\$16,159,026</b> | <b>(\$12,283,400)</b> |

\*The beginning net position for the year ended June 30, 2015 does not match prior year's ending net position because GASB 68 required a restatement of beginning net position as of July 1, 2014 but did not require any restatement of prior year amounts because the information is not available and not possible to calculate.

**Governmental Activities.** During the current fiscal year, the net position for the governmental activities increased by \$12,927,991. When combined with the restatement of the beginning net position of (\$9,052,365), the ending net position is \$3,875,626. Noted differences include an increase in program revenues of \$284,688 and an increase of \$3,330,447 in general revenues; primarily from unrestricted state and local revenue, state school fund unrestricted intermediate sources (Columbia Gorge ESD) and operating grants and contributions. Miscellaneous revenue and construction excise tax decreased from the prior year. Expenses decreased overall by \$7,924,548 from the prior year with decreases of \$4,986,221 in instruction, \$2,584,784 in support services, \$206,915 in community services, and \$146,628 in interest on long-term debt as shown in the following table.

Statement of Activities  
For the Years Ended June 30, 2015 and June 30, 2014

|                                      | Governmental Activities |              |                |
|--------------------------------------|-------------------------|--------------|----------------|
|                                      | FY 2015                 | FY 2014*     | Incr/(Decr)    |
| Revenues                             |                         |              |                |
| Program revenues                     |                         |              |                |
| Charges for service                  | \$1,213,740             | \$1,125,544  | 88,196         |
| Operating grants and contributions   | 5,066,148               | 4,869,656    | 196,492        |
| Total Program Revenues               | 6,279,888               | 5,995,200    | 284,688        |
|                                      |                         |              |                |
| General revenue                      |                         |              |                |
| Property taxes for general purposes  | 10,847,932              | 10,829,050   | 18,882         |
| Property taxes for debt service      | 3,619,175               | 3,614,608    | 4,567          |
| State school fund, general support   | 23,526,924              | 22,486,670   | 1,040,254      |
| Common School fund                   | 360,038                 | 335,199      | 24,839         |
| Construction excise tax              | 214,486                 | 228,400      | (13,914)       |
| Unrestricted intermediate sources    | 2,145,217               | 1,833,044    | 312,173        |
| Unrestricted state and local sources | 5,279,366               | 3,149,707    | 2,129,659      |
| Earnings on investments              | 65,596                  | 64,865       | 731            |
| Miscellaneous                        | 1,216,730               | 1,403,474    | (186,744)      |
| Total General Revenue                | 47,275,464              | 43,945,017   | 3,330,447      |
| Total Revenues                       | 53,555,352              | 49,940,217   | 3,615,135      |
|                                      |                         |              |                |
| Expenses                             |                         |              |                |
| Instruction                          | 25,065,087              | 30,051,308   | (4,986,221)    |
| Support services                     | 13,235,277              | 15,820,061   | (2,584,784)    |
| Community services                   | 2,106,402               | 2,313,317    | (206,915)      |
| Interest on long-term debt           | 220,595                 | 367,223      | (146,628)      |
| Total Expenses                       | 40,627,361              | 48,551,909   | (7,924,548)    |
|                                      |                         |              |                |
| Increase (decrease) in net position  | 12,927,991              | 1,388,308    | 11,539,683     |
| Net Position – July 1 as restated    | (9,052,365)             | 14,658,718   | (23,711,083)   |
| Prior Period Adjustments             | 0                       | 112,000      | (112,000)      |
| Net Position – June 30               | \$3,875,626             | \$16,159,026 | (\$12,283,400) |

\*The beginning net position for the year ended June 30, 2015 does not match prior year's ending net position because GASB 68 required a restatement of beginning net position as of July 1, 2014 but did not require any restatement of prior year amounts because the information is not available and not possible to calculate.

## **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.

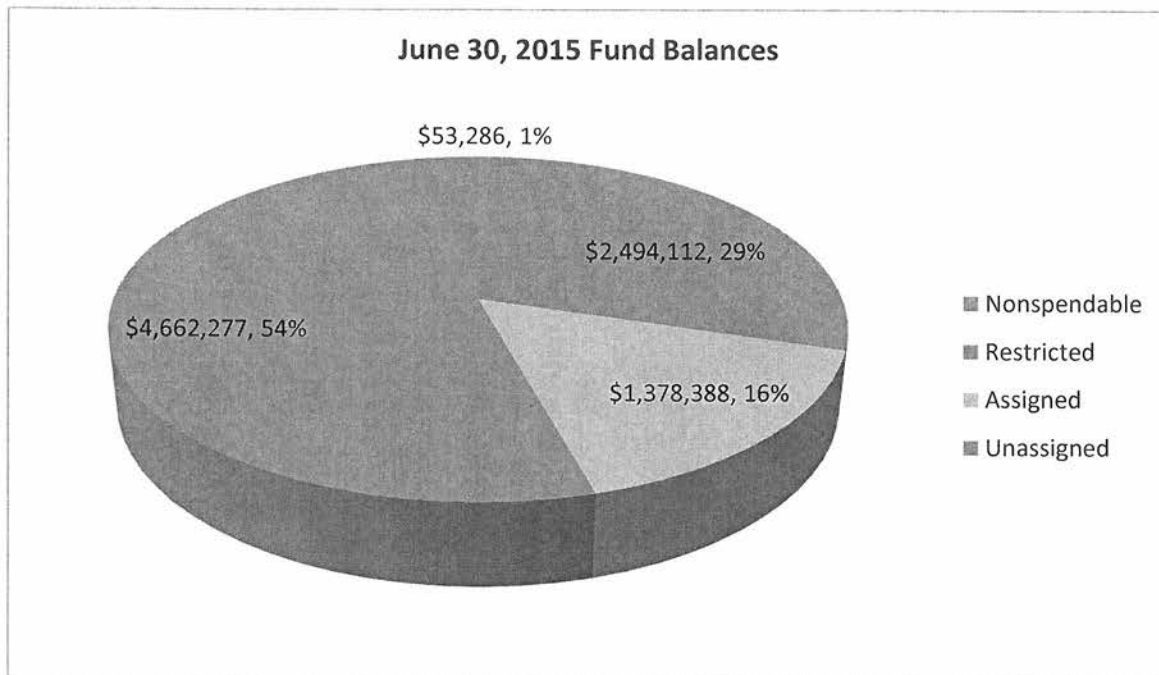
**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources; such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful 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 fifth year reporting under this new statement. GASB 54 requires an analysis and breakdown of ending fund balance between five new fund balance categories: 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.

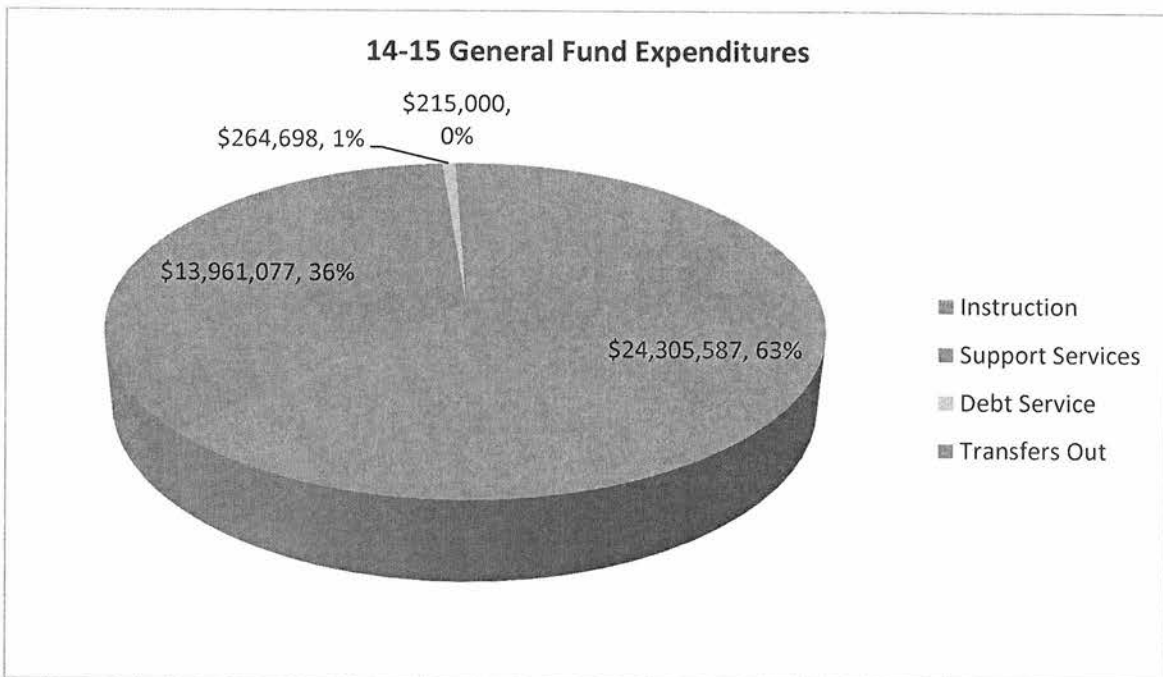
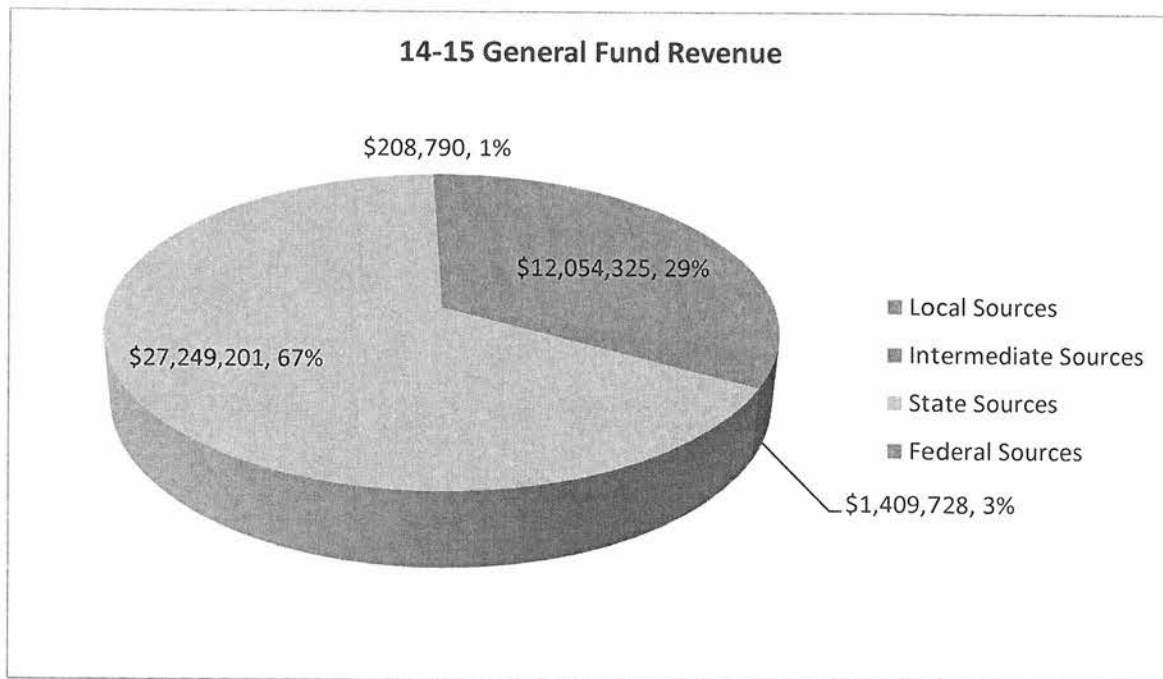
Under GASB 54, the General Fund is the only fund type that should have an unassigned fund balance. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. See Note 15 of the Basic Financial Statements for more information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

As of June 30, 2015, the District's governmental funds reported combined fund balances of \$8,588,063, an increase of \$2,734,408 in comparison with the prior year, of which \$2,181,999 was from increases in the unassigned general fund balance, \$106,064 was from increases in the assigned general fund balance, \$70,364 was from increases in other fund balances, \$99,711 was from increases in the grants fund, and \$276,270 was from increases in the capital projects fund. Approximately 54 percent of the combined fund balance amount of \$8,588,053 constitutes unassigned fund balance of \$4,662,277, which is available for spending at the District's discretion as shown in the following chart. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form (\$53,286), 2) restricted for particular purposes (\$2,494,112), or 3) assigned for particular purposes (\$1,378,388). Additional information on the District's fund balances is in Note 17 of the Basic Financial Statements.



**General Fund.** The General Fund is the chief operating fund of the District. As of June 30, 2015, \$4,662,277 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 12.1 percent of total General Fund expenditures, while total fund balance represents approximately 12.6 percent of that same amount. Other ending general fund balances are assigned to the unemployment reserve and bus replacement totaling \$138,941 and \$41,549, respectively.

In 2014-15, the total General Fund balance of \$2,480,278 increased by \$2,181,999. This increase can be attributed to an increase of revenues over expenses of \$2,394,682 less the transfers out of \$215,000. State revenue sources of \$27,249,201, primarily state school fund revenue, equal 67 percent of total general fund revenue. Local revenue sources of \$12,054,325, primarily property taxes and local option taxes, equal 29 percent of total general fund revenues. Of the total General Fund expenditures and transfers of \$38,742,362, instruction expenditures of \$24,301,587 equal 63 percent, support services expenditures of \$13,961,077 equal 36 percent, and debt service equals 0.7 percent. The following charts display the sources of General Fund revenue and expenditures by function.



**Grants Fund.** The Grants Fund has a total fund balance of \$421,495, all of which is restricted for grant expenditures.

**Capital Projects.** The Capital Projects fund has a total fund balance of \$1,720,229, all of which is restricted for capital construction projects.

**Other Funds.** Other Funds have a total fund balance of \$1,603,572, of which \$53,286 is nonspendable prepaid and supplies inventory, \$352,388 is restricted for the payment of debt service, \$519,684 is

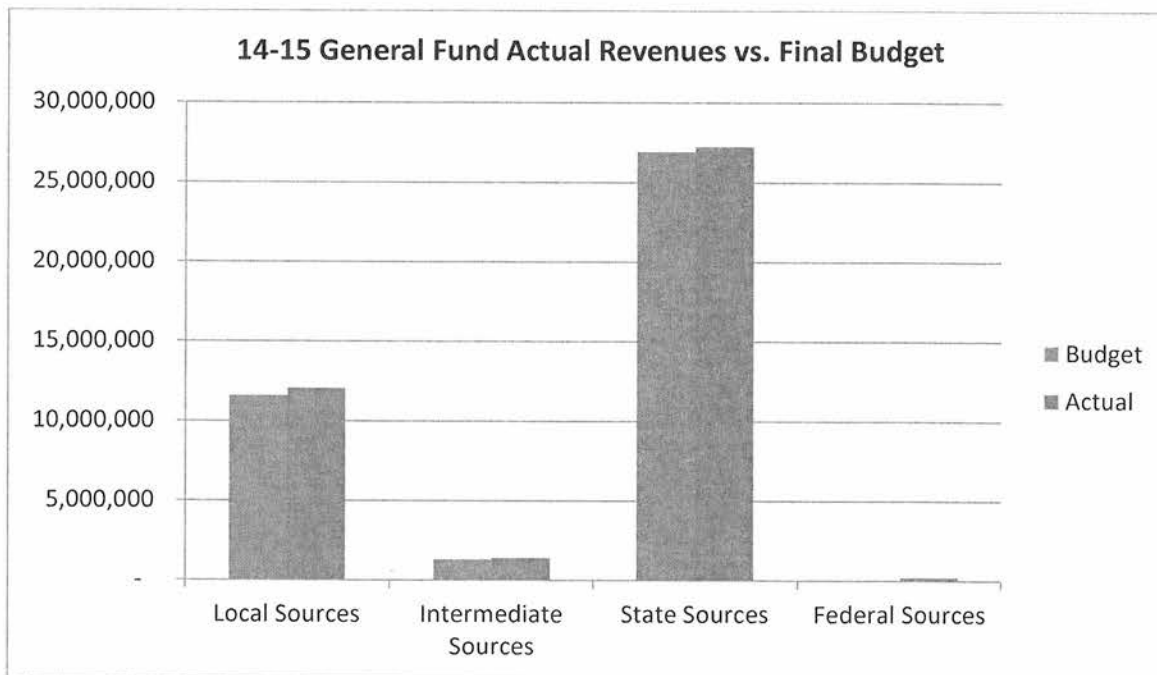
assigned to the School Lunch Fund, \$103,810 is assigned to the Community Education Fund, and \$574,404 is assigned to the Student Body funds.

## GENERAL FUND BUDGETARY HIGHLIGHTS

**General Fund Revenues.** General Fund actual revenues were greater than the adopted budget by \$1,074,518 or 2.7 percent as shown in the following table. Local revenue sources of revenue provided a favorable revenue variance of \$461,170 or 4 percent primarily from property taxes, local option taxes, transportation fees, and grant indirect charges revenue. Unfavorable variances in local revenue were from miscellaneous revenue, expenditure reimbursements, Medicaid administration and tuition from individuals. The intermediate revenue source, from the Columbia Gorge Educational Service District, provided a favorable revenue variance of \$104,824 or 8 percent. State sources overall provided a favorable revenue variance of \$319,734 or 1.2 percent. Within state revenue sources, the state school fund (SSF) provided an unfavorable variance of \$281,000, the SSF prior year reconciliation provided a favorable variance of \$550,571, the local option equalization revenue provided a favorable variance of \$36,746, and the common school fund provided a favorable variance of \$13,417. Federal sources provided a favorable revenue variance of \$188,790, primarily from federal forest fees.

General Fund Actual Revenues vs. Budget for the Year Ending June 30, 2015

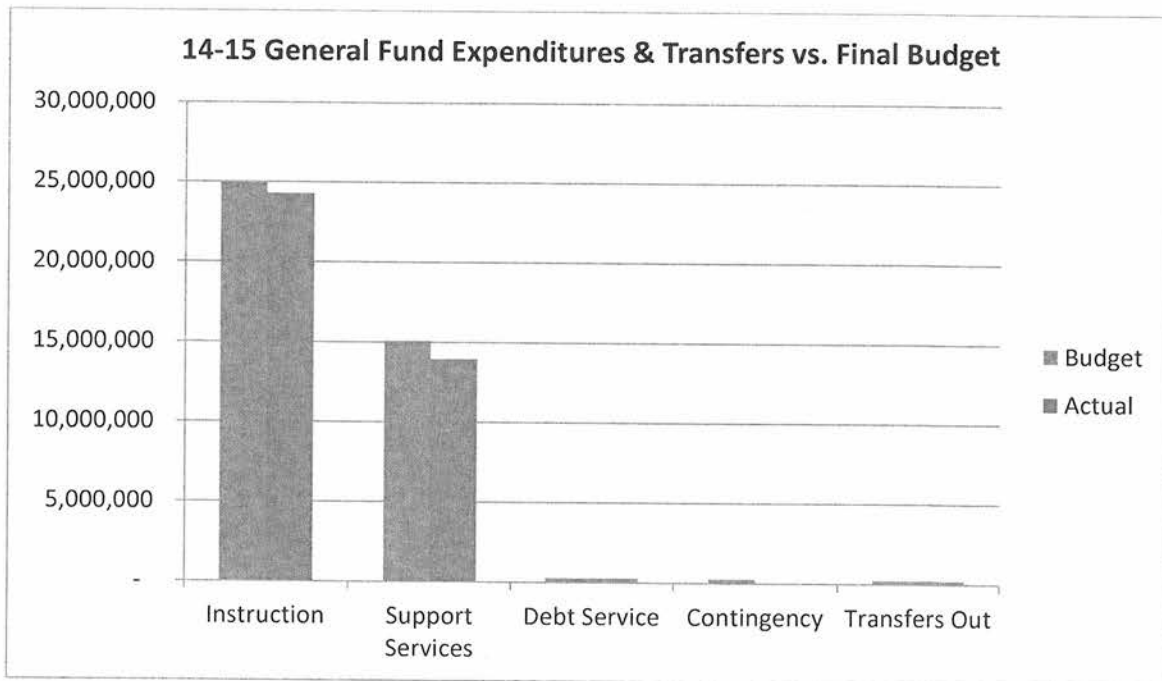
| Revenue              | Final Budget | Actual       | Variance Amt | Variance % |
|----------------------|--------------|--------------|--------------|------------|
| Local Sources        | \$11,593,155 | \$12,054,325 | \$461,170    | 4.0%       |
| Intermediate Sources | 1,304,904    | 1,409,728    | 104,824      | 8.0%       |
| State Sources        | 26,929,467   | 27,249,201   | 319,734      | 1.2%       |
| Federal Sources      | 20,000       | 208,790      | 188,790      | 944.0%     |
| Total                | \$39,847,526 | \$40,922,044 | \$1,074,518  | 2.7%       |



**General Fund Expenditures.** General Fund actual expenditures were within overall budgeted amounts by 4.9 percent. Instruction expenditures were \$622,151 or 2.5 percent less than budget; \$516,705 in budget savings was from the elementary K-5 programs, middle school programs, high school programs, physical disabled programs, resource rooms and therapeutic learning center programs; and \$105,446 in budget savings was from all other instruction functions. Support services expenditures were \$1,108,783 or 7.4 percent less than budget; \$827,801 in budget savings was from care and upkeep of buildings, student transportation, supplemental retirement program, technology services, board of education services, and special education administration; and \$280,982 in budget savings was from all other support services functions. The favorable budget variance in contingency of \$250,000 contributed to the overall expenditure budget savings of \$1,980,934 as shown in the following table.

General Fund Actual Expenditures & Transfers vs. Budget  
For the Year Ending June 30, 2015

| Expenditures     | Final Budget        | Actual              | Variance Amt       | Variance %  |
|------------------|---------------------|---------------------|--------------------|-------------|
| Instruction      | \$24,923,738        | \$24,301,587        | \$622,151          | 2.5%        |
| Support Services | 15,069,860          | 13,961,077          | 1,108,783          | 7.4%        |
| Debt Service     | 264,698             | 264,698             | 0                  | 0%          |
| Contingency      | 250,000             | 0                   | 250,000            | 100.00%     |
| Transfers Out    | 215,000             | 215,000             | 0                  | 0%          |
| <b>Total</b>     | <b>\$40,723,296</b> | <b>\$38,742,362</b> | <b>\$1,980,934</b> | <b>4.9%</b> |



The net change in General Fund balance was \$2,181,999 or \$3,057,770 more than budgeted, was comprised of a favorable revenue variance of \$1,074,518 or 2.7 percent, and a favorable expenditure and transfers variance of \$1,980,934 or 4.9 percent.

## 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, 2015, the District had invested \$38,519,019, net of accumulated depreciation, as shown in the following table:

Changes in Capital Assets  
For the Years Ending June 30, 2015 and 2014

|                            | FY 2015      | FY 2014      | Change        |
|----------------------------|--------------|--------------|---------------|
| Land                       | \$4,066,141  | \$4,066,141  | \$0           |
| Buildings and Improvements | 64,651,887   | 64,591,443   | 60,444        |
| Vehicles and Equipment     | 7,106,403    | 6,933,879    | 172,524       |
| Total                      | 71,758,290   | 71,525,322   | 232,968       |
| Accumulated Depreciation   | 37,305,412   | 35,051,923   | 2,253,489     |
| Total Net Capital Assets   | \$38,519,019 | \$40,539,540 | (\$2,486,457) |

Additional information on the District's capital assets is in Note 6 of the Basic Financial Statements.

**Debt Administration.** As of June 30, 2015, the District had total debt outstanding and obligations of \$40,958,388. Of this amount, \$14,645,000 is general obligation bonds, \$22,019,456 is pension obligation bonds, \$2,595,000 is qualified school construction bonds, \$1,465,883 is other post-employment benefits (OPEB), and \$233,049 is unamortized bond premiums and discounts. The District made all scheduled payments to reduce total debt by \$3,968,924, offset by additions to the OPEB of \$136,078 for a net decrease in long term liabilities of \$3,832,846.

The District received an A+ (underlying) and an AA+ (Oregon School Bond Guaranty) rating from Standard and Poor's for the general obligation bonds issued in 2010. In February 2014, Standard and Poor's affirmed its ratings of AA+ for the long term rating, an A+ for the school issuer credit rating for the general obligation bonds, and affirmed its rating of A+ for the long term rating of the District's qualified school construction bonds with a stable outlook for each rating. 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. The 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 2015 is \$3,224,342,484. 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 2015, the District's limit on bonded indebtedness is \$256,335,227, which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt activity may be found in Note 9 of the Basic Financial Statements.

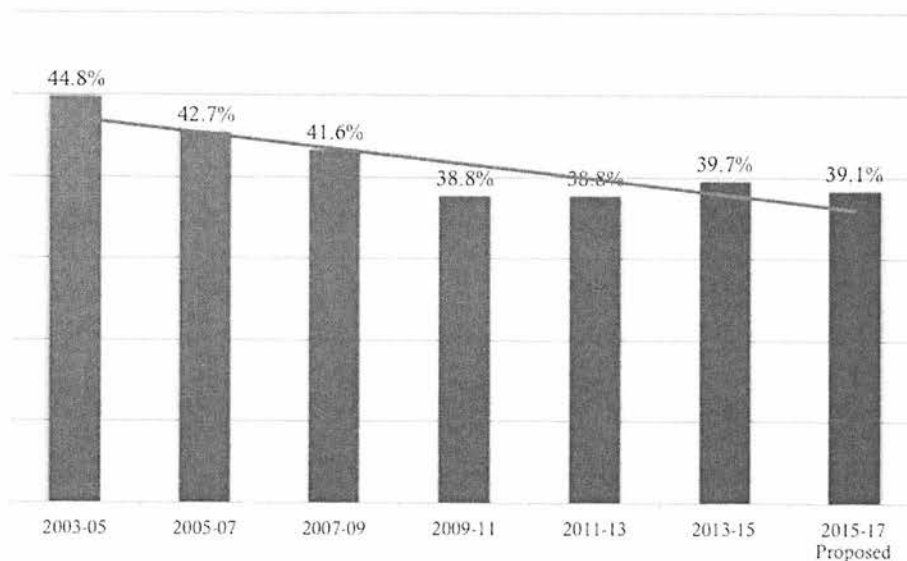
## ECONOMIC FACTORS AND 2015-16 BUDGET

Oregon K-12 Education continues to face severe financial troubles. Because of statewide constitutional changes in the early 1990's establishing limits on Oregon's property taxes on real estate, along with having no statewide sales tax (as well as "the kicker" rebate), Oregon relies on income taxes as a primary source of revenue. Consequently, the state budget is highly sensitive to the ups and downs of the regional, national and even global economy. These effects trickle down to the Hood River County School District, where revenues from the State School Fund (SSF) make up approximately 90% of our General Fund resources.

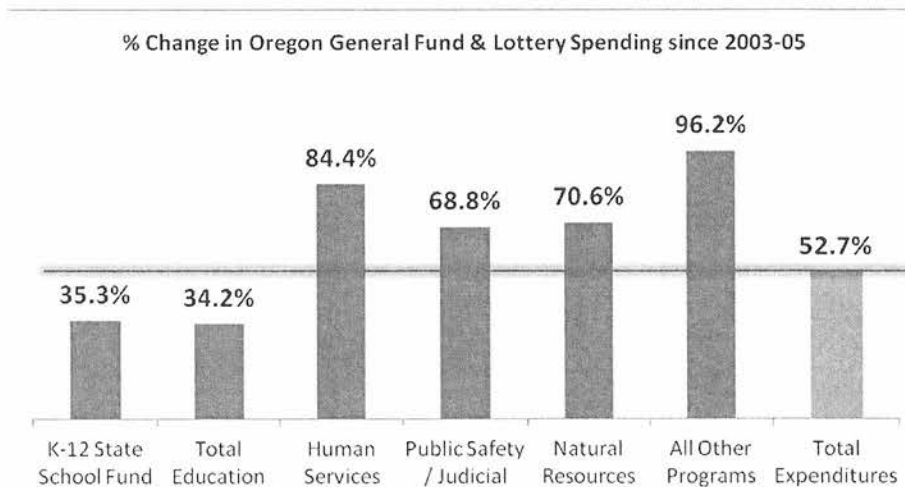
An historical view over the past two decades paints a picture of rapid decline in state level per-pupil resources in Oregon compared to other states. Over the last 20 years, Oregon has fallen from the top 10 in per-pupil resources in 1991 to the bottom 15 in 2011 (U.S. Census Bureau, Public Elementary–Secondary Education Finance Data, 2013). While the state-adopted 2015-17 biennial budget brings an increase of raw dollars to public schools in Oregon, the SSF does not keep pace with the typical increases in operating costs for Oregon public schools, including the Hood River County School District.

The adopted Oregon State School Fund of \$7.255 billion for the 2015-17 biennium takes a step backwards in regards to the prioritization of resources in Oregon for K-12 Education. Unmistakably, Oregon public education has realized a smaller share of the state budget since 2003, when K-12 Education received almost 45% of the state budget. In the 2015-17 biennium, Oregon K-12 Education will constitute 39% of the state budget as adopted SSF in HB 5017 - a 6% decrease in the percentage of the Oregon general and lottery fund budget since 2003. Over this period of time, a significantly larger number of dollars have been prioritized toward other state programs such as Public Safety (+5%) and Human Services (+5%).

### K-12 Education's Share of the State Budget 2003-05 to 2015-17



In terms of real dollars, during this period of disinvestment in Oregon schooling, there has been a 52.7% increase in government spending; however, K-12 has received a much lower percentage increase than any other government program area at 35.3%. Conversely, Human Services and Public Safety have received 84.4% and 68.8% increases, respectively. Even smaller areas of the overall state budget, such as Natural Resources, have received a 70.6% increase in funding over this timeframe. Clearly, the priorities of state lawmakers, and the Oregon public, through the Oregon Initiative and Referendum System, has concentrated additional resources, however scarce, into programs other than Oregon K-12 Education.



Over this time period, school districts across Oregon have decimated programs, lost an enormous number of instructional days, and cut large portions of their workforce. After years of disinvestment, the state of Oregon's K-12 system is now defined by the following facts:

- Oregon students go to school the equivalent of one year less than the national average during the 1st through 12th grades;
- Oregon ranks 49th in student to teacher ratio (class size);
- Oregon is 46th in state expenditures for education as a percent of taxable resources;
- Oregon's 4-year Graduation Rate places us in the bottom five states in the nation.

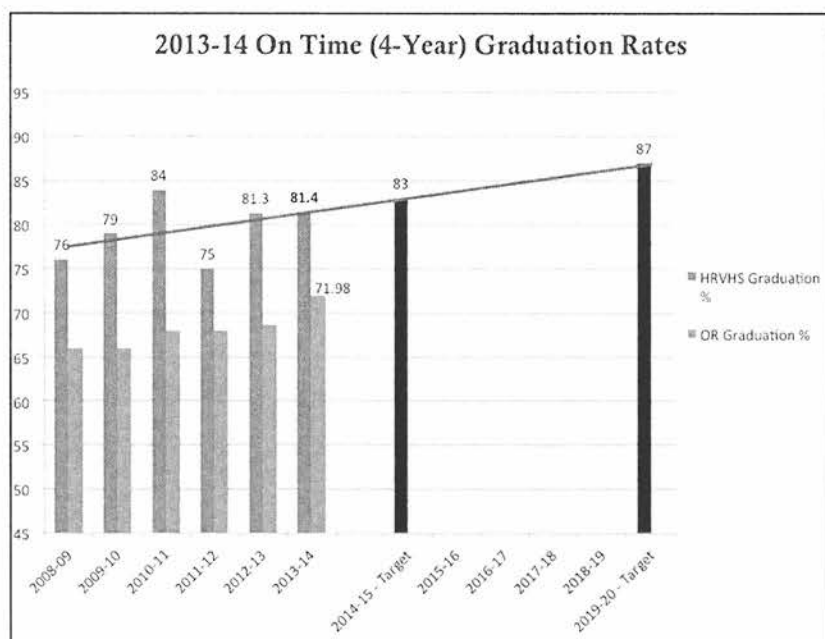
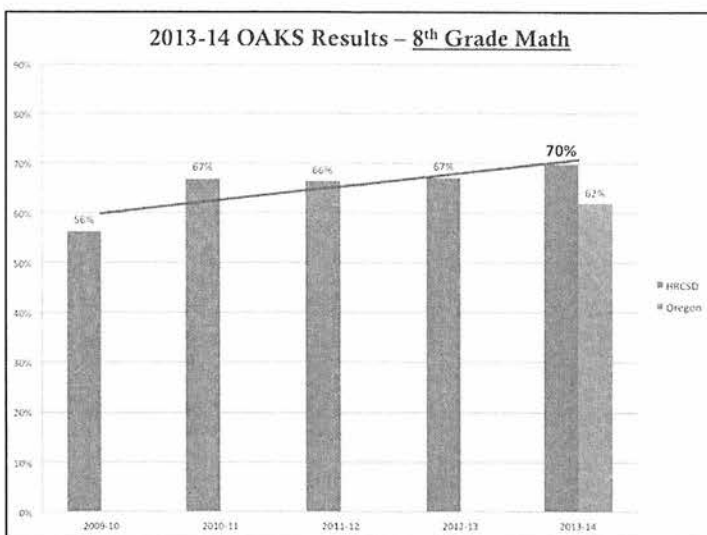
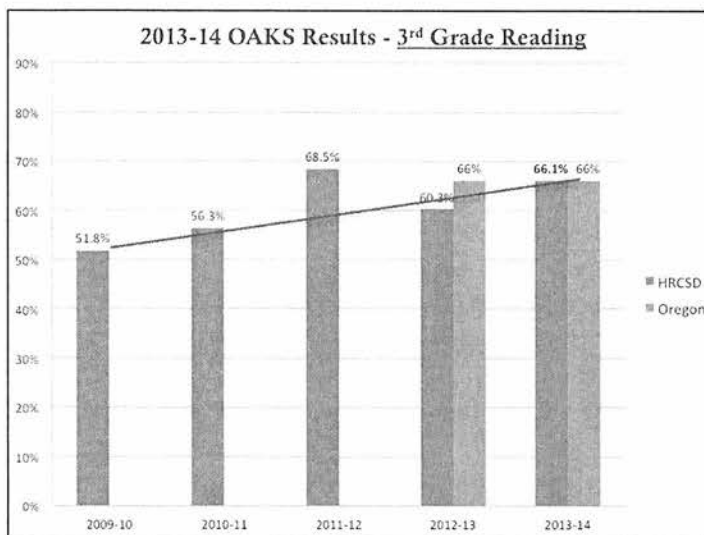
#### **Effect on the Hood River County School District**

This year will be the 10<sup>th</sup> in a row that Hood River County School District will be forced into some level of budget cuts. At the time of writing this budget message, the necessary reductions for our school district for 2015-16 will equate to \$321,405. The impact to specific programs will be discussed below.

In reviewing prior years' budget messages and related budget documents, one gets a sense of the magnitude of program reductions for our students. From 2008-09 to 2013-14, the Hood River County School District reduced 15% of its certified workforce resulting in visible and painful program reductions and increases in class sizes at all levels of the school system. For 2014-15, the school district was forced to further reduce \$1.02 million with cuts to teachers, specialists, classified staff, and administrative FTE in addition to reductions in discretionary items at all levels of the organization (i.e., textbooks, workbooks, technology, field trips, etc.).

On the positive side, because of our community-supported local option levy and capital bond, reductions have been mitigated compared to many other Oregon school districts. Neighboring school districts that do not have the additional fiscal support of their local communities have class sizes in the mid-thirties (elementary) to mid-forties (secondary), have lost all “specials” at the elementary level, and many elective offerings - such as Career Technical Ed. and the arts - were cut at the secondary levels.

When asked by community members, “Are our student outcomes significantly different than other districts because of the extra funding the community provides in the local option and capital bond?” the response is an emphatic, “yes!” These achievements are evident to anyone who looks at our increases in student achievement outcomes and comparatively high graduation & completion rates - even with higher percentages of students with significant barriers to learning such as living in poverty and learning English.



| Economically Disadvantaged |                   |                    |            |
|----------------------------|-------------------|--------------------|------------|
|                            | HRCSD Performance | Oregon Performance | Difference |
| Graduation                 | 77.0%             | 60.4%              | 16.6%      |
| Completion                 | 87.1%             | 77.3%              | 9.8%       |
| Drop Out                   | 3.4%              | 3.8%               | -0.4%      |

| White      |                   |                    |            |
|------------|-------------------|--------------------|------------|
|            | HRCSD Performance | Oregon Performance | Difference |
| Graduation | 83.3%             | 71.0%              | 12.3%      |
| Completion | 95.4%             | 83.9%              | 11.5%      |
| Drop Out   | 1.8%              | 3.5%               | -1.7%      |

| Hispanic   |                   |                    |            |
|------------|-------------------|--------------------|------------|
|            | HRCSD Performance | Oregon Performance | Difference |
| Graduation | 76.9%             | 60.8%              | 16.1%      |
| Completion | 82.8%             | 74.1%              | 8.7%       |
| Drop Out   | 4.3%              | 5.2%               | -0.9%      |

The State of Oregon continues its slow climb from the depths of the “Great Recession.” In Oregon, the economy has experienced accelerated job growth with low levels of unemployment. Despite the relative good news across the state in regards to a gradual, yet unmistakable economic recovery, a number of factors felt across the state will require another year of program reductions for our students and staff unless the legislature appropriates more than \$7.255 billion to the SSF by the end of the legislative session. Major contributing factors to our school district’s shortfall for 2015-16 include:

**Factor 1: Inadequate State School Fund (SSF)**

In the 2014-15 Budget Message, the Superintendent wrote, “Importantly, even after implementing this budget plan for 2014-15, if the State of Oregon does not substantially increase revenues for schools in the 2015-2017 biennium, budget reductions will undoubtedly continue in future years.” In the last year of this biennium (2014-15), the SSF was \$3.44 billion. Using the 50%-50% split passed in HB 5017 (see Factor 2 below), the SSF will be \$3.627 billion for 2015-16, a year-over-year increase of 5%. This sounds reasonable, but Oregon State law now mandates Full Day Kindergarten programs be funded throughout the state. Originally, the Oregon Department of Education (ODE) estimated an additional 18,000 student weights (or ADM) would enter into the state system. The legislature, in passing HB 5017, stated that \$220 million had been appropriated to K-12 to cover the new ADM for Full Day Kindergarten. However, ODE revised this estimate from 18,000 new ADM to between 25,000 and 27,000 new ADM, but the legislature did not increase the SSF commensurately.

Consequently, the \$220 million for Full Day Kindergarten now equates to \$3,993 per ADM. To get a sense of how insufficient this level of funding is, the 2014-15 SSF amount per ADM was \$6,958. Thus, the addition of Full Day Kindergarten in every Oregon school district - while likely the right thing to do - is being funded at less than 60%. By adding approximately 27,000 new student weights to the SSF and not fully funding it, the per pupil increase (again using the 50-50 split) from 2014-15 to 2015-16 equals .9%, not the 5% increase we see in the general numbers.

**Factor 2: The “50-50 Split”**

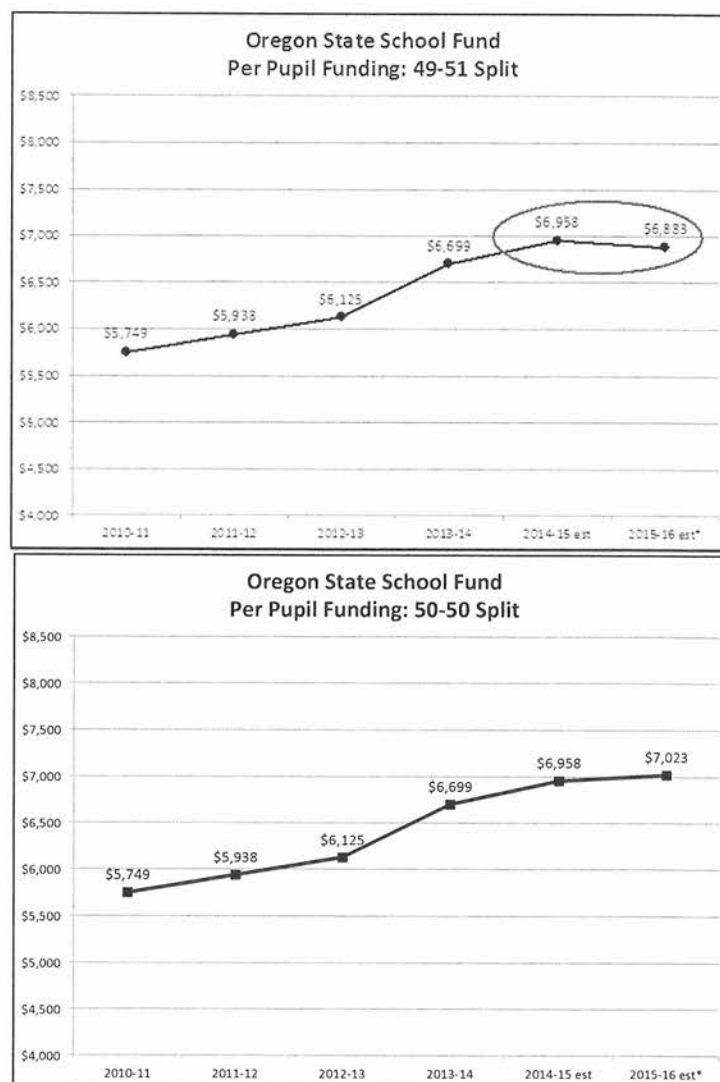
Oregon K-12 has traditionally been funded for the biennium using the “49-51 split;” or 49% of the biennial SSF amount in Year 1, and 51% in Year 2. This accounts for basic year-over-year cost escalations that any business encounters such as increases in utilities, insurances, employee costs, etc. Distributing funds at 49%-51% for the two years in the biennium equates to a planned 3.92% increase in maintaining current levels of service.

However, for the 2015-17 biennium, the Oregon legislature decided to allocate the funds to schools in equal distributions of 50% of the total budget in year 1 and 50% in year 2. This poses a number of serious problems for this biennium and for the future of Oregon K-12 Education SSF funding as well. In April 2015, I testified before the Oregon Legislature’s Joint Ways and Means Committee. In that testimony I outlined the following reasons to be concerned about changing the distribution formula to the 50-50 split by stating the following:

1. *The 50-50 split inflates the percentage increase in Year 1 of the biennium. This has the effect of creating headlines for the Oregonian about K-12’s “huge” budget increases - but this is false and lacks transparency. If a district spends its entire allocation for 2015-16, and they get the same amount in 2016-17, they will face even more severe budget cuts in Year 2 of the biennium due to regular and predictable cost increases. Any business owner knows that you must account for regular and predictable cost increases every year - or your business fails.*

2. *It understates the level of funding required in Year 2 of the biennium, setting the floor lower for sufficient funding for the next biennium. Instead of using 51% of the SSF as the base for future increases for Oregon's children, we'll now use 50% of the distribution. This is bad for news for kids now and in the future.*
3. *It opens the door for statistical shenanigans in the future. Why not allocate the next biennium's State School Fund at a 52-48 split (or whatever)? The headlines would read (as they do now), "Schools Receive Billions," though locally elected school boards will have to hold back funds in the first year to cover costs in the second year. The headlines will read "increase," but locally elected school boards, teachers, parents and kids will get caught in the cross hairs.*

As shown in the graphs below, in using the 50-50 Split, the per-pupil funding in the SSF appears to increase by just less than 1% (.9%) - from \$6,958 to \$7,023. However, using the traditional (and more realistic) 49-51 Split confirms a decline in per pupil funding of \$75 per student, or -1%.



Regardless of the SSF distribution from the State, the administration cannot recommend spending 50% of the biennial SSF amount in 2015-16, only to create a funding cliff for 2016-17. Hence, this proposed budget for 2015-16 was created by applying the “49-51 Split” methodology.

In order to create a sustainable budget for the biennium, the administration proposed a “Biennial Reserve Fund” in the budget. The Biennial Reserve Fund will be used to reserve the portion of the SSF distribution in 2015-16 for 2016-17. The new Biennial Reserve Fund is necessary to create a transparent and comprehensible fund that is separate from the general fund Ending Fund Balance and Contingency line items that are typically used for unexpected emergencies and significant enrollment changes. The resources in the new Biennial Reserve Fund will serve neither of these purposes; rather, the resources reserved in the Biennial Reserve Fund are for *expected* cost increases that are no longer accounted for at the state level, and are now the sole responsibility of local school boards.

### **Factor 3: Increased Costs**

Increased operational costs are expected such as salary and associated payroll costs, utilities, insurance and other costs. Negotiations are in process with our licensed personnel, which will determine licensed salary and associated payroll costs.

Every year, the cost for utilities increases. For example, on page C-42 in the adopted budget, you will see we project an increase of 2.6% for object code 326 fuel for heating from \$316,449 to \$324,659, an increase of 10.2% for object code 327 for water and sewer from \$241,548 to \$266,210, and an increase of 14.7% for object code 328 garbage from \$61,757 to \$70,823, based on information from our service providers and an analysis of prior and current year usage.

Insurance costs also regularly increase. On page C-10 in the adopted budget, embedded in the workers compensation rates is an increase of 11.4% to our District’s modification rate from 1.14 to 1.27 due to some large claims in prior years that affect current years’ premium rates.

This spring, the School Board is in negotiations and contract talks with every employee group in the district. As a result, employee costs are likely to increase.

Positively, PERS rates have declined for the 2015-17 biennium due to the legislative reforms to PERS, however, the Oregon Supreme Court overturned a key piece of the PERS reforms that will eliminate a portion of the contribution savings that were anticipated. The PERS rates for 2015-17 have already been set by the PERS Board so it is not expected to impact this biennium. The PERS contribution rates for Tier 1 & 2 decreased from 13.79 percent in 2013-15 to 11.26 percent in 2015-17. The PERS contribution rates for OPSRP decreased from 11.79 percent in 2013-15 to 6.57 percent in 2015-17. We will be analyzing the impacts of estimates of future PERS rate changes as soon as they become available.

### **Factor 4: Efficiencies and Mitigating Factors**

The Oregon Department of Education (ODE) is close to “closing the books” on 2013-14. Estimates received throughout this school year had indicated local revenues were expected to be less than originally budgeted for throughout the state. The shortfall for 2013-14 was estimated at \$276,000 for our school district. On Friday April 17, 2015 at 10:55pm we received notice that local revenues are now estimated to exceed the initial projections, resulting in a positive variance for the school district of \$354,000. All of these funds will be budgeted to mitigate the impact of the 2015-17 SSF shortfall.

The adopted HRCSD 2014-15 budget projected a 3.1% ending General Fund Balance (Operating Revenues and Contingency, or “reserves”). The Board had set a goal of 5%, which was not achievable at that time. In the 2014-15 school year, the school district has employed a set of financial controls that, along with excellent work of all HRCSD administrators and staff, have resulted in a better-than-expected ending fund balance of 5.8%. New controls include: 1) implementing new electronic financial system software for budget planning, reporting and monitoring year-to-date expenditures; 2) establishing a more sensitive and accurate chart of accounts for organizing and monitoring budget activity; 3) continuation of the relatively new Financial Advisory Committee (members include community members, board members, administrators, teachers, and classified staff) to monitor financial activity; 4) utilizing funds recovered from efficiencies won with the Columbia Gorge Educational Services District to hire a Financial Analyst in the business department whose role is develop financial controls; and 5) training for administrators, managers and front office staff at every facility on the new software and monitoring expectations. The adopted 2015-16 budget uses the 0.8 percent estimated ending Fund Balance above the board goal to mitigate the impact of the 2015-17 SSF shortfall.

The district has been more aggressive in accepting applications for out of district students to attend our schools by paying tuition. Tuition rates for 2015-16 have been set at \$9,300 per student. This rate takes into account the SSF allocation plus the taxes paid by local residents in support of our local option levy and capital bond. As of May 2015, five tuition payers were accepted. The \$46,500 in tuition received will be used to prevent a .5 Teacher FTE reduction at Hood River Middle School, where the majority of tuition paying students will attend school.

Like many school districts across the state, the Hood River County School District has spent reserves throughout most of the Great Recession to preserve programs and staff members. In nine of the past eleven years, Hood River County School District has spent more in General Fund operations than it has received in operating revenues. This difference was covered by spending down the beginning fund balance, transfers in from other funds, and PERS bond proceeds - all one-time funding sources. In 2012-13, the Operational Reserve Fund was completely spent down.

The Government Finance Officers Association recommends a fund balance of no less than two months (16.67 percent) of regular general fund operating revenues or general fund operating expenditures. The District General Fund balance went from a high of 10 percent in 2005-06 to a low of 2 percent in 2011-12. The 2014-15 resulted in a General Fund ending fund balance of approximately 11 percent of operating revenues. The 2015-16 adopted budget achieves the Board’s goal of an Operating Reserve of 5 percent - sustainable through the biennium - which will 1) serve as a buffer for the school district in case of emergencies, 2) protect the school district in case of unexpected changes to the SSF, and 3) maintain or increase our credit rating to improve our bond sale capacity - maximizing any future investment from our community in our school district facilities and infrastructure.

### **Prioritizing the Budget**

The 20/20 Vision, adopted by the Board in May 2014, established a new district mission (“Excellence, Every Student, Every Day”) a clear overarching district goal (“Every student graduates with the knowledge and courage to learn, serve, and pursue their dreams”), and a number of “Collective Commitments” that our organization is focused on to ensure all students, regardless of their backgrounds, will achieve at the highest levels. Specifically, our theory of improvement is as follows:

Every Hood River County School District student will demonstrate positive academic and social growth when all staff members work collaboratively to:

- ensure all students are safe, known and accepted;
- establish high expectations for achievement and personal growth for each student;
- identify, teach and assess student learning targets aligned to the Common Core State Standards;
- utilize research-based best practices for designing and delivering instruction;
- identify, intervene, and monitor the progress of struggling students early, with great intensity, and for as long as it takes;
- engage our diverse and committed community as partners in student learning and growth; and,
- explicitly target human and fiscal resources toward achieving these commitments.

Each of these commitments is accompanied by specific strategies that served as the basis for our budgeting decisions and will function as our roadmap for the future.

### **Impact of State Funding Shortfall on the 2015-16 Program**

The adopted budget for the 2015-16 school year includes a reduction in our general program. Because of the elements discussed in “Factor 4: Efficiencies and Mitigating Factors” section of this budget message, what had recently been calculated as an \$827,000 shortfall, has been minimized to a necessary reduction of \$321,405. Significant effort has been made to keep reductions away from the classroom, yet after so many years of painful cuts it is impossible to keep reductions completely away from teaching staff.

Program reductions for 2015-16 include the following:

1. Elementary:
  - \$5,700 “Discretionary” Funding (e.g., school supplies, technology purchases, field trips, professional development, etc.)
2. Middle:
  - 1.0 Teacher FTE: Due to significant enrollment drop at Wy’east Middle School. Achieved through attrition.
3. High:
  - 1.0 Teacher FTE: Achieved through attrition.
4. District-wide:
  - \$2,505 - Technology Dept. Discretionary
  - \$1,000 - Business Dept. Discretionary
  - \$160,000 - K-12 Curriculum Materials
  - \$8,200 - Administrator Life & Disability Insurance Benefits

A number of enhancements were also achieved in the budget for next year by shifting existing resources to address strategies in our strategic plan. Specifically:

- Maintaining 3.0 Elementary Teacher FTE increase from this fall (from Contingency) to maintain current class size levels
- Maintaining .5 Teacher FTE at Hood River Middle School that would have been reduced through increases in the number of tuition payers
- An off-site high school alternative program is being planned for 2015-16 with existing staff from Hood River Valley High School

- Maintaining AVID programming at all three secondary schools
- Shifting existing special education resources to fund .5 FTE Positive Behavior Support (PBIS) Coach

If the legislature allocates additional funds after the adoption of our school district budget, the administration will prioritize the following strategies in the Board's Strategic Plan:

1. Planning effectively for PERS liability increases for 2017-19
2. Increase FTE at the elementary school level to provide reading interventions
3. Increase FTE across K-12 to support PBIS Programming
4. Increase FTE in Maintenance
5. Increase FTE for
  - Elementary in PE, Music, Counseling
  - Secondary in world languages, arts, AVID and special education programming
  - Mid Valley specifically to support Dual Language program

In June 2015, the Board adopted the District budget for the fiscal year 2015-16. The adopted budget for the General Fund for the year ending June 30, 2016 is \$40,409,018. The following is a summary of the adopted budget requirements for all other funds. Additional information can be found in the District's Adopted Budget for fiscal year 2015-16.

| Fund                                         | 2015-16 Total Budget Requirements |
|----------------------------------------------|-----------------------------------|
| 200 Food Service Fund                        | \$2,418,500                       |
| 204 Student Body Funds                       | 1,750,000                         |
| 205 Community Education Fund                 | 829,000                           |
| 210 Unemployment Fund                        | 101,169                           |
| 212 Bus Replacement Fund                     | 135,000                           |
| 2XX Grant Funds                              | 6,000,000                         |
| 300 Debt Service Fund                        | 3,822,325                         |
| 4XX Capital Construction & Improvement Funds | 1,760,226                         |
| Total Other Funds                            | \$16,816,220                      |

## 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 addressed to Sandra Buchanan, Chief Financial Officer, Hood River County School District, 1011 Eugene Street, Hood River, Oregon 97031.

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

**STATEMENT OF NET POSITION**

**June 30, 2015**

**ASSETS**

|                              |              |
|------------------------------|--------------|
| Cash and investments         | \$ 8,788,130 |
| Receivables                  | 3,730,016    |
| Supply inventories           | 53,286       |
| Net pension asset            | 6,281,418    |
| Capital assets:              |              |
| Land                         | 4,066,141    |
| Buildings and equipment, net | 34,452,878   |
|                              | <hr/>        |
| Total assets                 | 57,371,869   |
|                              | <hr/>        |

**LIABILITIES:**

|                                |            |
|--------------------------------|------------|
| Accounts payable               | 875,232    |
| Salaries and contracts payable | 2,353,150  |
| Accrued interest payable       | 34,472     |
| Accrued vacation               | 83,308     |
| Unearned revenue               | 22,865     |
| Long-term obligations:         |            |
| Due within one year            | 4,041,430  |
| Due in more than one year      | 36,916,958 |
|                                | <hr/>      |
| Total liabilities              | 44,327,415 |
|                                | <hr/>      |

**DEFERRED INFLOWS OF RESOURCES:**

|                                     |           |
|-------------------------------------|-----------|
| Net deferred pension asset          | 9,168,828 |
|                                     | <hr/>     |
| Total deferred inflows of resources | 9,168,828 |
|                                     | <hr/>     |

**NET POSITION:**

|                                  |              |
|----------------------------------|--------------|
| Net investment in capital assets | 25,661,491   |
| Restricted for:                  |              |
| Grants                           | 421,495      |
| Capital Projects                 | 1,720,229    |
| Debt Service                     | 352,388      |
| Unrestricted                     | (24,279,977) |
|                                  | <hr/>        |
| Total net position               | \$ 3,875,626 |
|                                  | <hr/>        |

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, 2015**

| FUNCTIONS                     | EXPENSES             | PROGRAM REVENUES        |                                          |    | NET (EXPENSE)<br>REVENUE AND<br>CHANGES IN NET<br>POSITION |
|-------------------------------|----------------------|-------------------------|------------------------------------------|----|------------------------------------------------------------|
|                               |                      | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS |    |                                                            |
| Instruction                   | \$ 25,065,087        | \$ 856,425              | \$ 1,901,889                             | \$ | (22,306,773)                                               |
| Support Services              | 13,235,277           | 81,149                  | 3,059,853                                |    | (10,094,275)                                               |
| Community Services            | 2,106,402            | 276,166                 | 104,406                                  |    | (1,725,830)                                                |
| Interest on Long-Term Debt    | 220,595              | -                       | -                                        |    | (220,595)                                                  |
| Total Governmental Activities | <u>\$ 40,627,361</u> | <u>\$ 1,213,740</u>     | <u>\$ 5,066,148</u>                      |    | <u>(34,347,473)</u>                                        |

**General Revenues**

Taxes:

Property Taxes, levied for:

|                                      |                  |
|--------------------------------------|------------------|
| General purposes                     | 10,847,932       |
| Debt service                         | 3,619,175        |
| State school fund, general support   | 23,526,924       |
| Common School fund                   | 360,038          |
| Construction excise tax              | 214,486          |
| Unrestricted intermediate sources    | 2,145,217        |
| Unrestricted state and local sources | 5,279,366        |
| Earnings on investments              | 65,596           |
| Miscellaneous                        | <u>1,216,730</u> |

Total General Revenues 47,275,464

Changes in Net Position 12,927,991

Net Position, Beginning - Restated (9,052,365)

Net Position, Ending \$ 3,875,626

See accompanying notes to basic financial statements.

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2015**

|                                                                             | General<br>Fund     | Grants<br>Fund      | Capital<br>Construction<br>Fund | Other<br>Governmental<br>Funds | Total                |
|-----------------------------------------------------------------------------|---------------------|---------------------|---------------------------------|--------------------------------|----------------------|
| <b>ASSETS</b>                                                               |                     |                     |                                 |                                |                      |
| Cash and investments                                                        | \$ 5,593,710        | \$ -                | \$ 1,729,721                    | \$ 1,464,699                   | \$ 8,788,130         |
| Receivables:                                                                |                     |                     |                                 |                                |                      |
| Taxes                                                                       | 630,393             | -                   | -                               | 208,756                        | 839,149              |
| Accounts                                                                    | 859,459             | 1,893,314           | 37,581                          | 100,513                        | 2,890,867            |
| Supply inventory                                                            | -                   | -                   | -                               | 53,286                         | 53,286               |
| Due from                                                                    | 1,407,811           | -                   | -                               | -                              | 1,407,811            |
| Total assets                                                                | <u>\$ 8,491,373</u> | <u>\$ 1,893,314</u> | <u>\$ 1,767,302</u>             | <u>\$ 1,827,254</u>            | <u>\$ 13,979,243</u> |
| <b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND<br/>BALANCE</b> |                     |                     |                                 |                                |                      |
| Liabilities:                                                                |                     |                     |                                 |                                |                      |
| Accounts payable                                                            | \$ 745,633          | \$ 41,143           | \$ 47,073                       | \$ 41,383                      | \$ 875,232           |
| Salaries and contracts payable                                              | 2,353,150           | -                   | -                               | -                              | 2,353,150            |
| Unearned revenue                                                            | -                   | 22,865              | -                               | -                              | 22,865               |
| Due to                                                                      | -                   | 1,407,811           | -                               | -                              | 1,407,811            |
| Total liabilities                                                           | <u>3,098,783</u>    | <u>1,471,819</u>    | <u>47,073</u>                   | <u>41,383</u>                  | <u>4,659,058</u>     |
| Deferred inflows of resources:                                              |                     |                     |                                 |                                |                      |
| Unavailable revenue - property taxes                                        | <u>549,823</u>      | <u>-</u>            | <u>-</u>                        | <u>182,299</u>                 | <u>732,122</u>       |
| Total deferred inflows of resources                                         | <u>549,823</u>      | <u>-</u>            | <u>-</u>                        | <u>182,299</u>                 | <u>732,122</u>       |
| Fund balances:                                                              |                     |                     |                                 |                                |                      |
| Nonspendable                                                                | -                   | -                   | -                               | 53,286                         | 53,286               |
| Restricted for:                                                             |                     |                     |                                 |                                |                      |
| Grants                                                                      | -                   | 421,495             | -                               | -                              | 421,495              |
| Capital projects                                                            | -                   | -                   | 1,720,229                       | -                              | 1,720,229            |
| Debt service                                                                | -                   | -                   | -                               | 352,388                        | 352,388              |
| Assigned                                                                    | 180,490             | -                   | -                               | 1,197,898                      | 1,378,388            |
| Unassigned                                                                  | 4,662,277           | -                   | -                               | -                              | 4,662,277            |
| Total fund balances                                                         | <u>4,842,767</u>    | <u>421,495</u>      | <u>1,720,229</u>                | <u>1,603,572</u>               | <u>8,588,063</u>     |
| Total liabilities, deferred inflows of<br>resources, and fund balance       | <u>\$ 8,491,373</u> | <u>\$ 1,893,314</u> | <u>\$ 1,767,302</u>             | <u>\$ 1,827,254</u>            | <u>\$ 13,979,243</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, 2015

---

|                                          |              |
|------------------------------------------|--------------|
| Total Fund Balances - Governmental Funds | \$ 8,588,063 |
|------------------------------------------|--------------|

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 | 38,519,019 |
|--------------------|------------|

|                                                                                                        |           |
|--------------------------------------------------------------------------------------------------------|-----------|
| The proportionate share of the net pension asset is not reported as an asset in the governmental funds | 6,281,418 |
|--------------------------------------------------------------------------------------------------------|-----------|

|                                                                                               |             |
|-----------------------------------------------------------------------------------------------|-------------|
| The net deferred pension asset is not reported as a deferred inflow in the governmental funds | (9,168,828) |
|-----------------------------------------------------------------------------------------------|-------------|

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.

|          |           |
|----------|-----------|
| Premiums | (233,049) |
|----------|-----------|

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              |                    |              |
| OPEB liability                     | \$ (1,465,883)     |              |
| Interest payable                   | (34,472)           |              |
| Accrued vacation                   | (83,308)           |              |
| General obligation bonds payable   | (14,645,000)       |              |
| Limited tax pension bonds payable  | (22,019,456)       |              |
| Qualified school construction bond | <u>(2,595,000)</u> | (40,843,119) |

A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are considered unavailable in the funds.

|                |
|----------------|
| <u>732,122</u> |
|----------------|

|              |                     |
|--------------|---------------------|
| Net Position | <u>\$ 3,875,626</u> |
|--------------|---------------------|

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, 2015**

|                                         | General<br>Fund     | Grants<br>Fund    | Capital<br>Construction<br>Fund | Other<br>Governmental<br>Funds | Total               |
|-----------------------------------------|---------------------|-------------------|---------------------------------|--------------------------------|---------------------|
| Revenues:                               |                     |                   |                                 |                                |                     |
| Local sources                           | \$ 12,054,325       | \$ 400,149        | \$ 345,080                      | \$ 6,000,534                   | \$ 18,800,088       |
| Intermediate sources                    | 1,409,728           | 735,489           | -                               | -                              | 2,145,217           |
| State sources                           | 27,249,201          | 938,373           | -                               | 18,123                         | 28,205,697          |
| Federal sources                         | 208,790             | 2,763,086         | -                               | 1,421,391                      | 4,393,267           |
| Total revenues                          | 40,922,044          | 4,837,097         | 345,080                         | 7,440,048                      | 53,544,269          |
| Expenditures:                           |                     |                   |                                 |                                |                     |
| Current:                                |                     |                   |                                 |                                |                     |
| Instruction                             | 24,301,587          | 3,388,858         | -                               | 1,110,520                      | 28,800,965          |
| Support services                        | 13,944,529          | 1,263,428         | -                               | -                              | 15,207,957          |
| Community services                      | -                   | 81,100            | -                               | 2,339,255                      | 2,420,355           |
| Facilities acquisition and construction | -                   | 2,000             | 58,677                          | -                              | 60,677              |
| Capital outlay                          | 8,776               | 2,000             | 10,133                          | 212,059                        | 232,968             |
| Debt service                            | 385,393             | -                 | -                               | 3,707,850                      | 4,093,243           |
| Total expenditures                      | 38,640,285          | 4,737,386         | 68,810                          | 7,369,684                      | 50,816,165          |
| Revenues over (under) expenditures      | 2,281,759           | 99,711            | 276,270                         | 70,364                         | 2,728,104           |
| Other financing sources (uses):         |                     |                   |                                 |                                |                     |
| Sale of capital asset                   | 6,304               | -                 | -                               | -                              | 6,304               |
| Transfer in                             | 215,000             | -                 | -                               | -                              | 215,000             |
| Transfer out                            | (215,000)           | -                 | -                               | -                              | (215,000)           |
| Total other financing sources (uses):   | 6,304               | -                 | -                               | -                              | 6,304               |
| Net Change in Fund Balance              | 2,288,063           | 99,711            | 276,270                         | 70,364                         | 2,734,408           |
| Fund balances, beginning of year        | 2,554,704           | 321,784           | 1,443,959                       | 1,533,208                      | 5,853,655           |
| Fund balances, end of year              | <u>\$ 4,842,767</u> | <u>\$ 421,495</u> | <u>\$ 1,720,229</u>             | <u>\$ 1,603,572</u>            | <u>\$ 8,588,063</u> |

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, 2015**

---

|                                                         |    |           |
|---------------------------------------------------------|----|-----------|
| Total Net Changes in Fund Balances - Governmental Funds | \$ | 2,734,408 |
|---------------------------------------------------------|----|-----------|

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.

|                              |    |           |           |
|------------------------------|----|-----------|-----------|
| Accrued vacation             | \$ | 18,068    |           |
| Amortization of bond premium |    | 89,436    |           |
| OPEB liability               |    | (136,078) |           |
| Debt principal repaid        |    | 3,879,488 | 3,850,914 |

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 |  | 232,968     |             |
| Depreciation Expense    |  | (2,253,489) | (2,020,521) |

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.

(6,840)

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 unavailable revenue for all property taxes levied but not received; however, in the Statement of Activities, there is no unavailable revenue and the full property tax receivable is accrued.

4,779

The pension expense represents the change in net pension asset (liability) from year to year due to changes in total pension liability and the fair value of the pension plan net position available to pay pension benefits.

8,365,251

Change in Net Position of Governmental Activities

\$ 12,927,991

See accompanying notes to basic financial statements.

This Page Intentionally Left Blank

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, 2015.

**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 are 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. 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.

**RETIREMENT PLANS**

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB Statements 68 and 71 have been implemented as of July 1, 2014.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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).
- 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.

**NET POSITION**

Net position comprises the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

- Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – consists of external constraints placed on net position use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – consists of all other net position that are not included in the other categories previously mentioned.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount became available. The government has one type of item, which arises under full accrual accounting in the Statement of Net Position. The Statement of Net Position reports a Net Pension Asset resulting from pension plan actuarial valuations and contributions subsequent to the measurement date.

**2. CASH AND INVESTMENTS**

Cash and Investments at June 30, 2015 (recorded at fair value) consisted of:

|                                          |                                |
|------------------------------------------|--------------------------------|
| Total investments                        | \$ 7,129,631                   |
| Local Government Employers Benefit Trust | 144,071                        |
| Deposits with financial institutions     | <u>1,514,428</u>               |
| <br>Total                                | <br><u><u>\$ 8,788,130</u></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, 2015, the bank balance was \$2,586,309, with \$1,576,621 of the balance in excess over FDIC. There was also a balance of \$30,629 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, 2015, 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, 2015 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 | \$ 7,129,631        | \$ 7,129,631                             | \$ -        | \$ -         |
| Total                             | <u>\$ 7,129,631</u> | <u>\$ 7,129,631</u>                      | <u>\$ -</u> | <u>\$ -</u>  |

**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 of P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**2. CASH AND INVESTMENTS (CONTINUED)**

**INVESTMENTS (CONTINUED)**

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, 2015, 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.

**UNAVAILABLE REVENUE**

On the fund financial statements, unavailable 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 unavailable revenue is removed and revenue is recognized.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**3. ACCOUNTS/GRANTS RECEIVABLE (CONTINUED)**

**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<br>Governmental<br>Funds |
|                                 | <hr/>                          |
| Commodities and purchased foods | \$ 53,286                      |
|                                 | <hr/> <hr/>                    |

**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.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**6. CAPITAL ASSETS**

The changes in capital assets for the year ended June 30, 2015 are as follows:

|                                    | Beginning<br>of Year | Additions    | (Deletions) | Balance<br>End<br>Of Year |
|------------------------------------|----------------------|--------------|-------------|---------------------------|
| Fixed Assets Not Being Depreciated |                      |              |             |                           |
| Land                               | \$ 4,066,141         | \$ -         | \$ -        | \$ 4,066,141              |
| Fixed Assets Being Depreciated     |                      |              |             |                           |
| Buildings & Improvements           | 64,591,443           | 60,444       | -           | 64,651,887                |
| Vehicles & Equipment               | 6,933,879            | 172,524      | -           | 7,106,403                 |
| Total Fixed Assets Depreciated     | 71,525,322           | 232,968      | -           | 71,758,290                |
| Accumulated Depreciation           |                      |              |             |                           |
| Buildings & Improvements           | 29,520,546           | 1,863,332    | -           | 31,383,878                |
| Vehicles & Equipment               | 5,531,377            | 390,157      | -           | 5,921,534                 |
| Total Accumulated Depreciation     | 35,051,923           | 2,253,489    | -           | 37,305,412                |
| Total Net Capital Assets           | \$ 40,539,540        | \$ 2,486,457 | \$ -        | \$ 38,519,019             |

Depreciation was allocated to the functions as followed:

|                    |              |
|--------------------|--------------|
| Instruction        | \$ 1,391,302 |
| Support Services   | 735,031      |
| Community Services | 127,156      |
| Total              | \$ 2,253,489 |

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**7. PENSION PLAN**

Plan Description – The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan. All benefits of the system are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A. Oregon PERS produces an independently audited Comprehensive Annual Financial Report which can be found at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

- a. **PERS Pension (Chapter 238).** The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.
- i) **Pension Benefits.** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, and 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefits results.
- ii) **Death Benefits.** Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided on or more of the following contributions are met:
  - member was employed by PERS employer at the time of death,
  - member died within 120 days after termination of PERS covered employment,
  - member died as a result of injury sustained while employed in a PERS-covered job, or
  - member was on an official leave of absence from a PERS-covered job at the time of death.
- iii) **Disability Benefits.** A member with 10 or more years of creditable service who becomes disable from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.
- iv) **Benefit Changes After Retirement.** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**7. PENSION PLAN (CONTINUED)**

- b) **OPSRP Pension Program (OPSRP DB).** The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.
- i) **Pension Benefits.** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
- Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.
- General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.
- A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.
- ii) **Death Benefits.** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.
- iii) **Disability Benefits.** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.
- iv) **Benefit Changes After Retirement.** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA will vary based on the amount of the annual benefit.

Contributions – PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, which became effective July 1, 2013. The state of Oregon and certain schools, community colleges, and political subdivision have made unfunded actuarial liability payments and their rates have been reduced. Employer contributions for the year ended June 30, 2015 were \$2,913,322, excluding amounts to fund employer specific liabilities. Approximately \$1,944,994 was charged for the year ended June 30, 2015 as PERS benefits expenditures to be used for bond payments as they become due. In addition approximately \$1,337,251 in employee contributions were paid in fiscal 2015.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**7. PENSION PLAN (CONTINUED)**

At June 30, 2015, the District reported a net pension asset of \$6,281,418 for its proportionate share of the net pension asset. The pension asset was measured as of December 31, 2012, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2012, the District's proportion was .28 percent.

|                                                                                                               | Deferred Outflow<br>of Resources | Deferred Inflow<br>of Resources |
|---------------------------------------------------------------------------------------------------------------|----------------------------------|---------------------------------|
| Difference between expected and actual experience                                                             | \$ -                             | \$ -                            |
| Changes in assumptions                                                                                        | -                                | -                               |
| Net difference between projected and actual earnings on pension plan investments                              | -                                | 12,120,592                      |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 38,442                           | -                               |
| Subtotal - Amortized Deferral (below)                                                                         | 12,082,150                       |                                 |
| District contributions subsequent to measurement date                                                         | 2,913,322                        | -                               |
| Net deferred outflow (inflow) of resources                                                                    |                                  | \$ 9,168,828                    |

Amounts reported as deferred outflows or inflow of resources related to pension will be recognized in pension expense as follows:

| Year ending June 30, | Amount          |
|----------------------|-----------------|
| 2016                 | \$ (3,021,791)  |
| 2017                 | (3,021,791)     |
| 2018                 | (3,021,791)     |
| 2019                 | (3,021,791)     |
| 2020                 | 5,014           |
| Thereafter           | -               |
| Total                | \$ (12,082,150) |

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated July 29, 2015. Oregon PERS produces an independently audited CAFR which can be found at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financial.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx).

Actuarial Valuations – The employer contribution rates effective July 1, 2013 through June 30, 2015, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 20 years.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**7. PENSION PLAN (CONTINUED)**

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date            | December 31, 2012 rolled forward to June 30, 2014                                                                                                                                                                                                                                                                                                                                                                                                       |
| Experience Study Report   | 2012, Published September 18, 2013                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Actuarial cost method     | Entry Age Normal                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Amortization method       | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years                                                                                                                                                                                                                                                        |
| Asset valuation method    | Market value of assets                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Inflation rate            | 2.75 percent                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Investment rate of return | 7.75 percent                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Projected salary increase | 3.75 percent overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service                                                                                                                                                                                                                                                                                      |
| Mortality                 | Healthy retirees and beneficiaries:<br>RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males and 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table. |

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The method and assumptions shown are based on the 2012 Experience Study which is reviewed for the four-year period ending December 31, 2012.

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**7. PENSION PLAN (CONTINUED)**

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

|                                                                | 1%<br>Decrease<br>(6.75%) | Discount<br>Rate<br>(7.75%) | 1%<br>Increase<br>(8.75%) |
|----------------------------------------------------------------|---------------------------|-----------------------------|---------------------------|
| District's proportionate share of<br>the net pension liability | \$ 13,301,774             | \$ (6,281,418)              | \$ (22,844,205)           |

Changes in Plan Provisions Subsequent to Measurement Date: The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients. PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. Oregon Public Employees Retirement System Notes to the Schedules of Employer Allocations and Pension Amounts by Employer As of and for the Fiscal Year Ended June 30, 2014. This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year's actuarial valuations. The impact of the Moro decision on the total pension liability and employer's net pension liability (asset) has not been fully determined. However, PERS' third-party actuaries have estimated the impact of the Moro decision under one possible methodology, which is summarized below (dollars in millions). Estimates have been rounded to the nearest \$10 million.

|                               | June 30, 2014 Measurement Date |           |
|-------------------------------|--------------------------------|-----------|
|                               | Pre-Moro                       | Post-Moro |
| Net pension liability         |                                |           |
| Total pension liability       | \$ 63,135                      | \$ 68,050 |
| Fiduciary net position        | 65,402                         | 65,400    |
| Net pension liability (asset) | -2,267                         | 2,650     |

Additional disclosures related to Oregon PERS not applicable to specific employers are available online at the below website, or by contacting PERS at the following address: PO BOX 23700 Tigard, OR 97281-3700,

[http://www.oregon.gov/pers/EMP/docs/er\\_general\\_information/opers\\_gasb\\_68\\_disclosure\\_information\\_revised.pdf](http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf)

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Early Retirement Stipend

Currently, the plan provides the retirees a stipend. Licensed participants with at least 15 years of service at retirement, who are eligible to retire under Oregon PERS, ineligible for the Explicit Medical benefits, and who made a one-time irrevocable election not to participate in the District's TSA program. Eligible license retirees will receive a one-time payment of \$17,500 upon retirement.

Annual Pension Cost and Net Pension Obligation - The District's annual pension cost and net pension obligation (NPO) to the Early Retirement Fund for the current year and prior year were as follows:

|                                                     | 2015      | 2014       | 2013       |
|-----------------------------------------------------|-----------|------------|------------|
| Annual required contribution                        | \$ 60,154 | \$ 139,394 | \$ 124,521 |
| Interest on net pension obligation                  | 2,545     | 4,662      | 5,395      |
| Adjustment to annual required contribution          | 12,971    | 58,553     | 45,396     |
| Annual pension cost (APC)                           | 49,728    | 85,503     | 84,520     |
| Contributions made                                  | 23,318    | 138,424    | 102,859    |
| Increase in net pension obligation                  | 26,410    | (52,921)   | (18,339)   |
| Net Pension Obligation (Asset) at beginning of year | 63,622    | 116,543    | 134,882    |
| Net Pension Obligation (Asset) at end of year       | \$ 90,032 | \$ 63,622  | \$ 116,543 |
| Percentage of APC contributed                       | -47%      | -162%      | -122%      |

Actuarial Methods and Assumptions - The annual required contribution (ARC) for the current year was determined as part of the measurement date of July 1, 2013 actuarial valuation using the projected unit credit actuarial cost method. For stipend benefits, the unfunded accrued liability is initially being amortized over two years, and then being re-amortized over a closed period of five years beginning July 1, 2014.

Funding Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$255,226, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$255,226. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$786,202, and the ratio of the UAAL to the covered payroll was 32.5%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Early Retirement Stipend (Continued)

Program membership consisted on the following at June 30, 2014:

Active Program Members:

|            |            |
|------------|------------|
| Vested     | 497        |
| Non-vested | 72         |
|            | <u>569</u> |

Post-Employment Health Care Benefits - Explicit

Plan Description – Continued health care coverage is offered to eligible retirees and their spouses and dependents until eligible for Medicare. Retirees, who meet certain classification, hire date and service requirements at retirement have most of, or all of, their premium paid by the District. Other retirees who chose to participate in the program must pay the full active premium in order to maintain coverage. Eligible licensed participants with at least 15 years of service by the end of 2000-01 school year, and eligible to retire under Oregon PERS. Certain currently retired administrators are also covered. Qualified spouses and domestic partners may qualify for coverage. Benefits continue to the earlier of the retiree's age 65, or 96 months of payments. The District will pay up to the entire two-party premium at the time of retirement.

Annual Pension Cost and Net Pension Obligation - The District's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameter of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the OPEB obligation at the end of the year:

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Post-Employment Health Care Benefits - Explicit (Continued)

|                                                  | 2015       | 2014       | 2013       |
|--------------------------------------------------|------------|------------|------------|
| Annual required contribution                     | \$ 364,802 | \$ 354,177 | \$ 415,286 |
| Interest on net pension obligation               | 24,008     | 25,457     | 26,772     |
| Adjustment to annual required contribution       | 152,227    | 161,418    | 169,761    |
| Annual OPEB Cost                                 | 236,583    | 218,216    | 272,297    |
| Contributions made                               | 239,415    | 254,450    | 305,192    |
| Increase in net pension obligation               | (2,832)    | (36,234)   | (32,895)   |
| Net OPEB Obligation (Asset) at beginning of year | 600,183    | 636,417    | 669,312    |
| Net OPEB Obligation (Asset) at end of year       | \$ 597,351 | \$ 600,183 | \$ 636,417 |
| Percentage of APC contributed                    | 101%       | 117%       | 112%       |

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The annual required contribution (ARC) for the current year was determined as part of the July 1, 2013 actuarial valuation using the projected unit credit method. The objective of this method is to fund each participant's benefits under the plans as they accrue. The unfunded accrued liability is amortized over an open period of four years. Interest rate for discounting future liabilities is 4.00% per year, overall payroll growth is 3.00% per year, and the general inflation rate is 2.50% per year.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Post-Employment Health Care Benefits - Explicit (Continued)

Funding Status and Funding Progress – As of July 1, 2013, the plan was 0% funded. The actuarial accrued liability for benefits was \$4,144,028, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,144,028. The covered payroll (annual payroll of active employees covered by the plan) was \$23,303,848, and the ratio of the UAAL to the covered payroll was 17.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Program membership consisted on the following at June 30, 2014:

Active Program Members:

|                                |            |
|--------------------------------|------------|
| Vested                         | 497        |
| Non-vested                     | 72         |
| Spouses of Ineligible Retirees | 0          |
|                                | <u>569</u> |

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Post-Employment Health Care Benefits - Implicit

Plan Description – All classes of employee are eligible to continue medical coverage upon retirement. Qualified spouses, domestic partners, and children may qualify for coverage. Coverage may continue until Medicare eligibility. There is an implicit subsidy for medical benefits with respect to retired employees because the medical premium rates charged for coverage typically are less than actual expected retiree claim costs. This is due to medical premium rates being determined by blending both active employee and retiree experience.

Funding Policy – The benefits from this program are paid and the required contribution is based on projected pay-as-you go financing requirements. The retiree is to receive the same health care coverage as active employees. Employees may choose from multiple insurance plans and has the option to add a spouse. The retiree is responsible for any portion of the premiums not paid by the District.

Annual Pension Cost and Net Pension Obligation - The annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance within the parameter of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over an open period of thirty years.

The following table shows the components of the OPEB obligation at the end of the year:

|                                                  | 2015       | 2014       | 2013       |
|--------------------------------------------------|------------|------------|------------|
| Annual required contribution                     | \$ 284,528 | \$ 276,241 | \$ 271,625 |
| Interest on net pension obligation               | 26,640     | 20,764     | 16,118     |
| Adjustment to annual required contribution       | 25,449     | 19,835     | 15,398     |
| Annual OPEB Cost                                 | 285,719    | 277,170    | 272,345    |
| Contributions made                               | 173,219    | 130,245    | 156,218    |
| Increase in net pension obligation               | 112,500    | 146,925    | 116,127    |
| Net OPEB Obligation (Asset) at beginning of year | 666,000    | 519,075    | 402,948    |
| Net OPEB Obligation (Asset) at end of year       | \$ 778,500 | \$ 666,000 | \$ 519,075 |
| Percentage of APC contributed                    | 61%        | 47%        | 57%        |

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Post-Employment Health Care Benefits – Implicit (Continued)

Actuarial Methods and Assumptions - The annual required contribution (ARC) for the current year was determined as part of the July 1, 2013 actuarial valuation using the Projected Unit Credit Cost Method. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality, claim cost and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Interest rate for discounting future liabilities is 4.00% per year, overall payroll growth is 3.00% per year, and the general inflation rate is 2.50% per year.

Program membership consisted on the following at June 30, 2014:

Active Program Members:

|            |                   |
|------------|-------------------|
| Vested     | 497               |
| Non-vested | <u>72</u>         |
|            | <u><u>569</u></u> |

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**9. 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<br>ISSUE<br>AMOUNT | INTEREST<br>RATE | OUTSTANDING<br>BALANCE 6/30/2015 | FINAL<br>MATURITY<br>DATE |
|-------------|-----------------------------|------------------|----------------------------------|---------------------------|
| Series 2008 | \$ 25,100,000               | 3.1-4.1%         | \$ 13,660,000                    | 6/15/2023                 |
| Series 2010 | 4,425,000                   | 2.5-3.0%         | 985,000                          | 6/15/2016                 |
| Total       | <u>\$ 29,525,000</u>        |                  | <u>\$ 14,645,000</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<br>RATE | OUTSTANDING<br>BALANCE<br>6/30/2015 | FINAL<br>MATURITY<br>DATE |
|-----------|------------------|-------------------------------------|---------------------------|
| 8/11/2011 | 2.06-6.10%       | \$ 12,169,456                       | 6/30/2028                 |
| 2/19/2004 | 3.66-5.53%       | 9,850,000                           | 6/30/2028                 |
| Total     |                  | <u>\$ 22,019,456</u>                |                           |

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**9. 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<br>ISSUE<br>AMOUNT | INTEREST<br>RATE | OUTSTANDING<br>BALANCE<br>6/30/2015 | FINAL<br>MATURITY<br>DATE |
|-------------|-----------------------------|------------------|-------------------------------------|---------------------------|
| Series 2010 | \$ 3,600,000                | 1.95%            | \$ 2,595,000                        | 3/16/2026                 |

Capital Lease

During the 2013-14 school year, the District entered into a capital lease for a new bus in the amount of \$120,695 at 5.0% interest rate. The full amount of the capital lease was paid off during the 2014-15 fiscal year.

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

|                                              | Beginning<br>Balance<br>7/1/14 | Additions         | Deletions           | Ending<br>Balance<br>6/30/15 | Due Within<br>One Year |
|----------------------------------------------|--------------------------------|-------------------|---------------------|------------------------------|------------------------|
| <b>Governmental Activities:</b>              |                                |                   |                     |                              |                        |
| Bonds payable:                               |                                |                   |                     |                              |                        |
| General Obligation Bonds                     | \$ 17,650,000                  | \$ -              | \$ 3,005,000        | \$ 14,645,000                | \$ 3,220,000           |
| Pension Obligation Bonds                     | 22,563,249                     | -                 | 543,793             | 22,019,456                   | 606,430                |
| QSCB                                         | 2,805,000                      | -                 | 210,000             | 2,595,000                    | 215,000                |
| Capital Lease                                | 120,695                        | -                 | 120,695             | -                            | -                      |
| OPEB                                         | 1,329,805                      | 136,078           | -                   | 1,465,883                    | -                      |
| Unamortized bond premiums<br>and (discounts) | 322,485                        | -                 | 89,436              | 233,049                      | -                      |
| <b>Total Liabilities</b>                     | <b>\$ 44,791,234</b>           | <b>\$ 136,078</b> | <b>\$ 3,968,924</b> | <b>\$ 40,958,388</b>         | <b>\$ 4,041,430</b>    |

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

**9. LONG-TERM OBLIGATIONS (CONTINUED)**

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.

The future maturities of long-term obligations outstanding as of June 30, 2015 are as follows:

| Fiscal<br>Year | General Obligation |                  |                      |                     | Pension Obligation Bonds |                     |                     |                     |
|----------------|--------------------|------------------|----------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                | Series 2010        |                  | Series 2008          |                     | Series 2011              |                     | Series 2004         |                     |
|                | Principal          | Interest         | Principal            | Interest            | Principal                | Interest            | Principal           | Interest            |
| 2016           | \$ 985,000         | \$ 16,525        | \$ 2,235,000         | \$ 569,275          | \$ 286,430               | \$ 906,027          | \$ 320,000          | \$ 536,880          |
| 2017           | -                  | -                | 1,280,000            | 479,875             | 290,986                  | 961,471             | 380,000             | 520,807             |
| 2018           | -                  | -                | 1,390,000            | 425,675             | 296,222                  | 1,021,235           | 445,000             | 501,339             |
| 2019           | -                  | -                | 1,500,000            | 370,075             | 301,417                  | 1,086,040           | 515,000             | 478,097             |
| 2020           | -                  | -                | 1,615,000            | 310,075             | 304,401                  | 1,153,056           | 595,000             | 450,683             |
| 2021-25        | -                  | -                | 5,640,000            | 487,525             | 6,200,000                | 2,335,142           | 4,390,000           | 1,669,554           |
| 2026-30        | -                  | -                | -                    | -                   | 4,490,000                | 452,603             | 3,205,000           | 321,729             |
|                |                    |                  |                      |                     |                          |                     |                     |                     |
|                | <u>\$ 985,000</u>  | <u>\$ 16,525</u> | <u>\$ 13,660,000</u> | <u>\$ 2,642,500</u> | <u>\$ 12,169,456</u>     | <u>\$ 7,915,574</u> | <u>\$ 9,850,000</u> | <u>\$ 4,479,089</u> |

| Fiscal<br>Year | Qualified School<br>Construction Bond<br>Series 2010 |                   | Totals              |                     |
|----------------|------------------------------------------------------|-------------------|---------------------|---------------------|
|                | Principal                                            | Interest          | Principal           | Interest            |
|                |                                                      |                   |                     |                     |
| 2016           | \$ 215,000                                           | \$ 50,603         | \$ 4,041,430        | \$ 2,079,310        |
| 2017           | 220,000                                              | 46,410            | 2,170,986           | 2,008,563           |
| 2018           | 220,000                                              | 42,120            | 2,351,222           | 1,990,369           |
| 2019           | 225,000                                              | 37,830            | 2,541,417           | 1,972,042           |
| 2020           | 230,000                                              | 33,443            | 2,744,401           | 1,947,257           |
| 2021-25        | 1,225,000                                            | 97,988            | 17,455,000          | 4,590,209           |
| 2026-30        | 260,000                                              | 5,070             | 7,955,000           | 779,402             |
|                |                                                      |                   |                     |                     |
|                | <u>\$ 2,595,000</u>                                  | <u>\$ 313,464</u> | <u>\$39,259,456</u> | <u>\$15,367,152</u> |

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**10. 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.

**11. 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, 2015, employees had accumulated 22,936 days of sick leave.

**12. 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.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

---

**13. OPERATING LEASE**

There are operating leases for copy machines. Total lease expenditures for the year amounted to \$55,247.

Remaining minimum lease payments are as follows:

|           |                 |
|-----------|-----------------|
| 2015-2016 | 4,649           |
| 2016-2017 | 1,937           |
|           | <hr/>           |
|           | <u>\$ 6,586</u> |

**14. ACCRUED VACATION**

At the beginning of the fiscal year, the District had an accrued vacation liability totaling \$101,376. During the year, the liability had a net decrease of \$18,068, resulting in total accrued vacation liability of \$83,308 as of June 30, 2015.

**15. 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

**16. RESTATEMENT OF PRIOR YEAR NET POSITION**

Due to the implementation of GASB 68 and GASB 71 a restatement of the prior year net position was required. The restatement is as follows:

|                                                 |                       |
|-------------------------------------------------|-----------------------|
| Net position - beginning as previously reported | \$ 16,159,026         |
| Pension asset for prepaid as of 6/30/14         | (13,958,730)          |
| Proportionate share of net pension liability    | (14,141,610)          |
| Net outflow/(inflows) of resources              | 2,888,949             |
| Net position - beginning as restated            | <u>\$ (9,052,365)</u> |

**17. FUND BALANCE CONSTRAINTS**

The specific purposes for each of the categories of fund balance as of June 30, 2015 are as follows:

| <b>Fund Balances:</b>       | <b>General Fund</b> | <b>Grants Fund</b> | <b>Capital Projects</b> | <b>Other</b>        | <b>Total</b>        |
|-----------------------------|---------------------|--------------------|-------------------------|---------------------|---------------------|
| <b><u>Nonspendable:</u></b> |                     |                    |                         |                     |                     |
| Prepaid & Inventory         | \$ -                | \$ -               | \$ -                    | \$ 53,286           | \$ 53,286           |
| <b><u>Restricted:</u></b>   |                     |                    |                         |                     |                     |
| Grants                      | -                   | 421,495            | -                       | -                   | 421,495             |
| Capital Projects            | -                   | -                  | 1,720,229               | -                   | 1,720,229           |
| Debt Service                | -                   | -                  | -                       | 352,388             | 352,388             |
|                             | -                   | 421,495            | 1,720,229               | 352,388             | 2,494,112           |
| <b><u>Assigned to:</u></b>  |                     |                    |                         |                     |                     |
| Unemployment Reserve        | 138,941             | -                  | -                       | -                   | 138,941             |
| Bus Replacement             | 41,549              | -                  | -                       | -                   | 41,549              |
| School Lunch                | -                   | -                  | -                       | 519,684             | 519,684             |
| Community Education         | -                   | -                  | -                       | 103,810             | 103,810             |
| Student Body                | -                   | -                  | -                       | 574,404             | 574,404             |
|                             | 180,490             | -                  | -                       | 1,197,898           | 1,378,388           |
| <b><u>Unassigned:</u></b>   | 4,662,277           | -                  | -                       | -                   | 4,662,277           |
| <b>Total Fund Balances</b>  | <u>\$ 4,842,767</u> | <u>\$ 421,495</u>  | <u>\$ 1,720,229</u>     | <u>\$ 1,603,572</u> | <u>\$ 8,588,063</u> |

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

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

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND**  
**SCHEDULE OF CONTRIBUTIONS**  
**June 30, 2015**

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Year<br>Ended<br>June 30, | (a)<br>Employer's<br>proportion of<br>the net pension<br>liability (NPL) | (b)<br>Employer's<br>proportionate share<br>of the net pension<br>liability (NPL) | (c)<br>covered<br>payroll | (b/c)<br>NPL as a<br>percentage<br>of covered<br>payroll | Plan fiduciary<br>net position as<br>a percentage of<br>the total pension<br>liability |
|---------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------|----------------------------------------------------------|----------------------------------------------------------------------------------------|
| 2015                      | 0.28 %                                                                   | \$ (6,281,418)                                                                    | \$ 23,176,164             | (27.1) %                                                 | 103.6 %                                                                                |
| 2014                      | 0.28                                                                     | 14,141,610                                                                        | 22,647,166                | 62.4                                                     | 92.0                                                                                   |

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

|      | Statutorily<br>required<br>contribution | Contributions in<br>relation to the<br>statutorily required<br>contribution | Contribution<br>deficiency<br>(excess) | Employer's<br>covered<br>payroll | Contributions<br>as a percent<br>of covered<br>payroll |
|------|-----------------------------------------|-----------------------------------------------------------------------------|----------------------------------------|----------------------------------|--------------------------------------------------------|
| 2015 | \$ 2,913,322                            | \$ 2,913,322                                                                | \$ -                                   | \$ 23,176,164                    | 12.6 %                                                 |
| 2014 | 2,888,949                               | 2,888,949                                                                   | -                                      | 22,647,166                       | 12.8                                                   |

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

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

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**  
**EARLY RETIREMENT PROGRAM**

June 30, 2015

**PLAN I (STIPENDS):**

**SCHEDULE OF FUNDING PROGRESS**

| Actuarial<br>Valuation<br>Date | (a)<br>Actuarial<br>Value of<br>Assets | (b)<br>Actuarial<br>Accrued<br>Liability (AAL)<br>Entry Age | (b)-(a)<br>AAL<br>(UAAL) | (a/b)<br>Funded<br>Ratio | (c)<br>Covered<br>Payroll | ((b-a)/c)<br>UAAL as a<br>Percentage<br>of Covered<br>Payroll |
|--------------------------------|----------------------------------------|-------------------------------------------------------------|--------------------------|--------------------------|---------------------------|---------------------------------------------------------------|
| 7/1/2013                       | \$ -                                   | \$ 255,226                                                  | \$ 255,226               | 0.00%                    | \$ 786,202                | 32.46%                                                        |

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

| Year<br>Ended<br>June 30, | Annual<br>Required<br>Contribution | Percentage<br>Contributed |
|---------------------------|------------------------------------|---------------------------|
| 2014                      | \$ 85,503                          | 161.90 %                  |
| 2015                      | 49,728                             | 46.90                     |

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

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

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**  
**POST-EMPLOYMENT HEALTH CARE**

June 30, 2015

**PLAN II (HEALTH INSURANCE)**  
**SCHEDULE OF FUNDING PROGRESS**

| Actuarial<br>Valuation<br>Date | (a)<br>Actuarial<br>Value of<br>Assets | (b)<br>Actuarial<br>Accrued<br>Liability (AAL) | (b)-(a)<br>AAL<br>(UAAL) | (a/b)<br>Funded<br>Ratio | (c)<br>Covered<br>Payroll | ((b-a)/c)<br>UAAL as a<br>Percentage<br>of Covered<br>Payroll |
|--------------------------------|----------------------------------------|------------------------------------------------|--------------------------|--------------------------|---------------------------|---------------------------------------------------------------|
| 7/1/2013                       | \$ -                                   | \$ 4,144,028                                   | \$ 4,144,028             | 0.00%                    | \$ 23,303,848             | 17.78%                                                        |

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

| Year<br>Ended<br>June 30, | Annual<br>Required<br>Contribution | Percentage<br>Contributed |
|---------------------------|------------------------------------|---------------------------|
| 2014                      | \$ 495,386                         | 77.70 %                   |
| 2015                      | 522,302                            | 79.00                     |

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

**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, 2015**

|                                      | Original<br>Budget | Final<br>Budget | Actual        | Variance to<br>Final Budget |
|--------------------------------------|--------------------|-----------------|---------------|-----------------------------|
| Revenues:                            |                    |                 |               |                             |
| Local sources                        | \$ 11,593,155      | \$ 11,593,155   | \$ 12,054,325 | \$ 461,170                  |
| Intermediate sources                 | 1,240,626          | 1,304,904       | 1,409,728     | 104,824                     |
| State sources                        | 26,951,538         | 26,929,467      | 27,249,201    | 319,734                     |
| Federal sources                      | 20,000             | 20,000          | 208,790       | 188,790                     |
| Total revenues                       | 39,805,319         | 39,847,526      | 40,922,044    | 1,074,518                   |
| Expenditures:                        |                    |                 |               |                             |
| Instruction                          | 25,012,071         | 24,923,738 (1)  | 24,301,587    | 622,151                     |
| Support services                     | 14,667,249         | 15,069,860 (1)  | 13,961,077    | 1,108,783                   |
| Debt service                         | 264,698            | 264,698 (1)     | 264,698       | -                           |
| Contingency                          | 250,000            | 250,000 (1)     | -             | 250,000                     |
| Total expenditures                   | 40,194,018         | 40,508,296      | 38,527,362    | 1,980,934                   |
| Revenues over (under) expenditures   | (388,699)          | (660,770)       | 2,394,682     | 3,055,452                   |
| Other financing sources (uses):      |                    |                 |               |                             |
| Sale of capital assets               | -                  | -               | 2,317         | 2,317                       |
| Transfers out                        | (215,000)          | (215,000) (1)   | (215,000)     | -                           |
| Total other financing sources (uses) | (215,000)          | (215,000)       | (212,683)     | 2,317                       |
| Net change in fund balance           | (603,699)          | (875,770)       | 2,181,999     | 3,057,769                   |
| Fund balance, beginning of year      | 1,600,000          | 2,480,277       | 2,480,278     | 1                           |
| Fund balance, end of year            | \$ 996,301         | \$ 1,604,507    | 4,662,277     | \$ 3,057,770                |

(1) Appropriation level

**RECONCILIATION TO GAAP FUND BALANCE AS REQUIRED BY GASB 54**

|                              |                     |
|------------------------------|---------------------|
| Ending Fund Balance:         |                     |
| Unemployment Reserve Fund    | 138,941             |
| Bus Replacement Reserve Fund | 41,549              |
|                              | <u>\$ 4,842,767</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, 2015**

|                                      | Original<br>Budget | Final<br>Budget | Actual     | Variance to<br>Final Budget |
|--------------------------------------|--------------------|-----------------|------------|-----------------------------|
| Revenues:                            |                    |                 |            |                             |
| Local sources                        | \$ 600,000         | \$ 580,800      | \$ 400,149 | \$ (180,651)                |
| Intermediate sources                 | 800,000            | 1,050,766       | 735,489    | (315,277)                   |
| State Sources                        | -                  | 952,924         | 938,373    | (14,551)                    |
| Federal sources                      | 4,000,000          | 2,815,910       | 2,763,086  | (52,824)                    |
| Total revenues                       | 5,400,000          | 5,400,400       | 4,837,097  | (563,303)                   |
| Expenditures:                        |                    |                 |            |                             |
| Instruction                          | 4,037,414          | 4,037,414 (1)   | 3,390,858  | 646,556                     |
| Support services                     | 1,588,306          | 1,588,306 (1)   | 1,263,428  | 324,878                     |
| Community service                    | 174,280            | 174,280 (1)     | 81,100     | 93,180                      |
| Facilities Acquisition               | 100,000            | 100,000 (1)     | 2,000      | 98,000                      |
| Total expenditures                   | 5,900,000          | 5,900,000       | 4,737,386  | 1,162,614                   |
| Revenues over (under) expenditures   | (500,000)          | (499,600)       | 99,711     | 599,311                     |
| Other Financing Sources, -Uses:      |                    |                 |            |                             |
| Transfer In                          | 100,000            | 100,000         | -          | (100,000)                   |
| Transfers Out                        | (100,000)          | (100,000) (1)   | -          | 100,000                     |
| Total other financing sources, -uses | -                  | -               | -          | -                           |
| Net change in fund balance           | (500,000)          | (499,600)       | 99,711     | 599,311                     |
| Fund balance, beginning of year      | 500,000            | 500,000         | 321,784    | (178,216)                   |
| Fund balance, end of year            | \$ -               | \$ 400          | \$ 421,495 | \$ 421,095                  |

(1) Appropriation level

This Page Intentionally Left Blank

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

SUPPLEMENTARY INFORMATION

This Page Intentionally Left Blank

**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, 2015**

---

|                                         | Original<br>Budget | Final<br>Budget   | Actual              | Variance to<br>Final Budget |
|-----------------------------------------|--------------------|-------------------|---------------------|-----------------------------|
| Revenues:                               |                    |                   |                     |                             |
| Local sources                           | \$ 450,322         | \$ 450,322        | \$ 345,080          | \$ (105,242)                |
| Total revenues                          | 450,322            | 450,322           | 345,080             | (105,242)                   |
| Expenditures:                           |                    |                   |                     |                             |
| Facilities acquisition and construction | 1,404,674          | 1,404,674 (1)     | 68,810              | 1,335,864                   |
| Total expenditures                      | 1,404,674          | 1,404,674         | 68,810              | 1,335,864                   |
| Net change in fund balance              | (954,352)          | (954,352)         | 276,270             | 1,230,622                   |
| Fund balance, beginning of year         | 1,359,725          | 1,359,725         | 1,443,959           | 84,234                      |
| Fund balance, end of year               | <u>\$ 405,373</u>  | <u>\$ 405,373</u> | <u>\$ 1,720,229</u> | <u>\$ 1,314,856</u>         |

(1) Appropriation level

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

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

|                                                                             | Food<br>Service<br>Fund | Community<br>Education<br>Fund | Student<br>Body<br>Fund | Debt<br>Service<br>Fund | Total               |
|-----------------------------------------------------------------------------|-------------------------|--------------------------------|-------------------------|-------------------------|---------------------|
| <b>ASSETS</b>                                                               |                         |                                |                         |                         |                     |
| Cash and cash equivalents                                                   | \$ 453,757              | \$ 132,317                     | \$ 574,404              | \$ 304,221              | \$ 1,464,699        |
| Receivables:                                                                |                         |                                |                         |                         |                     |
| Taxes                                                                       | -                       | -                              | -                       | 208,756                 | 208,756             |
| Accounts                                                                    | 77,378                  | 1,425                          | -                       | 21,710                  | 100,513             |
| Supply inventories                                                          | 53,286                  | -                              | -                       | -                       | 53,286              |
| Total assets                                                                | <u>\$ 584,421</u>       | <u>\$ 133,742</u>              | <u>\$ 574,404</u>       | <u>\$ 534,687</u>       | <u>\$ 1,827,254</u> |
| <b>LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND<br/>BALANCE</b> |                         |                                |                         |                         |                     |
| Liabilities:                                                                |                         |                                |                         |                         |                     |
| Accounts payable                                                            | \$ 11,451               | \$ 29,932                      | \$ -                    | \$ -                    | \$ 41,383           |
| Total liabilities                                                           | <u>11,451</u>           | <u>29,932</u>                  | <u>-</u>                | <u>-</u>                | <u>41,383</u>       |
| Deferred inflows of resources:                                              |                         |                                |                         |                         |                     |
| Unavailable revenue - property taxes                                        | -                       | -                              | -                       | 182,299                 | 182,299             |
| Total deferred inflows of resources                                         | <u>-</u>                | <u>-</u>                       | <u>-</u>                | <u>182,299</u>          | <u>182,299</u>      |
| Fund balances:                                                              |                         |                                |                         |                         |                     |
| Nonspendable                                                                | 53,286                  | -                              | -                       | -                       | 53,286              |
| Restricted                                                                  | -                       | -                              | -                       | 352,388                 | 352,388             |
| Assigned                                                                    | 519,684                 | 103,810                        | 574,404                 | -                       | 1,197,898           |
| Total fund balance                                                          | <u>572,970</u>          | <u>103,810</u>                 | <u>574,404</u>          | <u>352,388</u>          | <u>1,603,572</u>    |
| Total liabilities, deferred inflows of<br>resources, and fund balance       | <u>\$ 584,421</u>       | <u>\$ 133,742</u>              | <u>\$ 574,404</u>       | <u>\$ 534,687</u>       | <u>\$ 1,827,254</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, 2015**

|                                  | Food<br>Service<br>Fund | Community<br>Education<br>Fund | Student<br>Body<br>Fund | Debt<br>Service<br>Fund | Total               |
|----------------------------------|-------------------------|--------------------------------|-------------------------|-------------------------|---------------------|
| Revenues:                        |                         |                                |                         |                         |                     |
| Local sources                    | \$ 293,876              | \$ 930,867                     | \$ 1,040,989            | \$ 3,734,802            | \$ 6,000,534        |
| State sources                    | 18,123                  | -                              | -                       | -                       | 18,123              |
| Federal sources                  | 1,421,391               | -                              | -                       | -                       | 1,421,391           |
| Total revenues                   | 1,733,390               | 930,867                        | 1,040,989               | 3,734,802               | 7,440,048           |
| Expenditures:                    |                         |                                |                         |                         |                     |
| Instruction                      | -                       | 90,194                         | 1,020,326               | -                       | 1,110,520           |
| Community services               | 1,763,678               | 787,636                        | -                       | -                       | 2,551,314           |
| Debt service                     | -                       | -                              | -                       | 3,707,850               | 3,707,850           |
| Total expenditures               | 1,763,678               | 877,830                        | 1,020,326               | 3,707,850               | 7,369,684           |
| Net change in fund balance       | (30,288)                | 53,037                         | 20,663                  | 26,952                  | 70,364              |
| Fund balances, beginning of year | 603,258                 | 50,773                         | 553,741                 | 325,436                 | 1,533,208           |
| Fund balances, end of year       | <u>\$ 572,970</u>       | <u>\$ 103,810</u>              | <u>\$ 574,404</u>       | <u>\$ 352,388</u>       | <u>\$ 1,603,572</u> |

**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, 2015**

---

|                                   | Original<br>Budget | Final<br>Budget | Actual            | Variance to<br>Final Budget |
|-----------------------------------|--------------------|-----------------|-------------------|-----------------------------|
| Revenues:                         |                    |                 |                   |                             |
| Local sources                     | \$ 400,000         | \$ 400,000      | \$ 293,876        | \$ (106,124)                |
| State Sources                     | 18,500             | 18,500          | 18,123 (2)        | (377)                       |
| Federal sources                   | 1,500,000          | 1,500,000       | 1,421,391         | (78,609)                    |
| Total revenues                    | 1,918,500          | 1,918,500       | 1,733,390         | (185,110)                   |
| Expenditures:                     |                    |                 |                   |                             |
| Enterprise and community services | 2,318,500          | 2,521,757 (1)   | 1,763,678         | 758,079                     |
| Total expenditures                | 2,318,500          | 2,521,757       | 1,763,678         | 758,079                     |
| Net change in fund balance        | (400,000)          | (603,257)       | (30,288)          | 572,969                     |
| Fund balance, beginning of year   | 400,000            | 603,257         | 603,258           | 1                           |
| Fund balance, end of year         | <u>\$ -</u>        | <u>\$ -</u>     | <u>\$ 572,970</u> | <u>\$ 572,970</u>           |

(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, 2015

---

|                                   | Original<br>Budget | Final<br>Budget | Actual     | Variance to<br>Final Budget |
|-----------------------------------|--------------------|-----------------|------------|-----------------------------|
| Revenues:                         |                    |                 |            |                             |
| Local sources                     | \$ 1,260,000       | \$ 1,260,000    | \$ 930,867 | \$ (329,133)                |
| Total revenues                    | 1,260,000          | 1,260,000       | 930,867    | (329,133)                   |
| Expenditures:                     |                    |                 |            |                             |
| Instruction                       | 144,118            | 144,118 (1)     | 90,194     | 53,924                      |
| Support services                  | 10,000             | 10,000 (1)      | -          | 10,000                      |
| Enterprise and community services | 1,105,882          | 1,105,882 (1)   | 787,636    | 318,246                     |
| Total expenditures                | 1,260,000          | 1,260,000       | 877,830    | 382,170                     |
| Net change in fund balance        | -                  | -               | 53,037     | 53,037                      |
| Fund balance, beginning of year   | -                  | -               | 50,773     | 50,773                      |
| Fund balance, end of year         | \$ -               | \$ -            | \$ 103,810 | \$ 103,810                  |
| (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, 2015**

---

|                                 | Original<br>Budget | Final<br>Budget      | Actual                   | Variance to<br>Final Budget |
|---------------------------------|--------------------|----------------------|--------------------------|-----------------------------|
| Revenues:                       |                    |                      |                          |                             |
| Local sources                   | \$ 1,300,000       | \$ 1,300,000         | \$ 1,040,989             | \$ (259,011)                |
| Total revenues                  | <u>1,300,000</u>   | <u>1,300,000</u>     | <u>1,040,989</u>         | <u>(259,011)</u>            |
| Expenditures:                   |                    |                      |                          |                             |
| Instruction                     | <u>1,800,000</u>   | <u>1,853,741 (1)</u> | <u>1,020,326</u>         | <u>833,415</u>              |
| Total expenditures              | <u>1,800,000</u>   | <u>1,853,741</u>     | <u>1,020,326</u>         | <u>833,415</u>              |
| Net change in fund balance      | (500,000)          | (553,741)            | 20,663                   | 574,404                     |
| Fund balance, beginning of year | <u>500,000</u>     | <u>553,741</u>       | <u>553,741</u>           | <u>-</u>                    |
| Fund balance, end of year       | <u><u>\$ -</u></u> | <u><u>\$ -</u></u>   | <u><u>\$ 574,404</u></u> | <u><u>\$ 574,404</u></u>    |
| (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, 2015

---

|                                 | Original<br>Budget | Final<br>Budget | Actual            | Variance to<br>Final Budget |
|---------------------------------|--------------------|-----------------|-------------------|-----------------------------|
| Revenues:                       |                    |                 |                   |                             |
| Local Sources                   | \$ 3,584,205       | \$ 3,584,205    | \$ 3,734,802      | \$ 150,597                  |
| Total revenues                  | 3,584,205          | 3,584,205       | 3,734,802         | 150,597                     |
| Expenditures:                   |                    |                 |                   |                             |
| Debt service                    | 3,707,850          | 3,707,850 (1)   | 3,707,850         | -                           |
| Total expenditures              | 3,707,850          | 3,707,850       | 3,707,850         | -                           |
| Net change in fund balance      | (123,645)          | (123,645)       | 26,952            | 150,597                     |
| Fund balance, beginning of year | 123,645            | 123,645         | 325,436           | 201,791                     |
| Fund balance, end of year       | <u>\$ -</u>        | <u>\$ -</u>     | <u>\$ 352,388</u> | <u>\$ 352,388</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, 2015**

---

|                                      | Original<br>Budget | Final<br>Budget | Actual            | Variance to<br>Final Budget |
|--------------------------------------|--------------------|-----------------|-------------------|-----------------------------|
| Expenditures:                        |                    |                 |                   |                             |
| Support services                     | \$ 125,000         | \$ 125,000 (1)  | \$ (7,772)        | \$ 132,772                  |
| Total Expenditures                   | 125,000            | 125,000         | (7,772)           | 132,772                     |
| Revenues over (under) expenditures   | (125,000)          | (125,000)       | 7,772             | 132,772                     |
| Other Financing Sources (Uses)       |                    |                 |                   |                             |
| Transfer In                          | 65,000             | 65,000          | 65,000            | -                           |
| Total Other Financing Sources (Uses) | 65,000             | 65,000          | 65,000            | -                           |
| Net change in fund balance           | (60,000)           | (60,000)        | 72,772            | 132,772                     |
| Fund balance, beginning of year      | 60,000             | 60,000          | 66,169            | 6,169                       |
| Fund balance, end of year            | <u>\$ -</u>        | <u>\$ -</u>     | <u>\$ 138,941</u> | <u>\$ 138,941</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**  
**BUS REPLACEMENT-SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2015**

|                                      | Original<br>Budget | Final<br>Budget  | Actual           | Variance to<br>Final Budget |
|--------------------------------------|--------------------|------------------|------------------|-----------------------------|
| Expenditures:                        |                    |                  |                  |                             |
| Support services                     | \$ 120,695         | \$ - (1)         | \$ -             | \$ -                        |
| Debt Service                         | -                  | 120,695 (1)      | 120,695          | -                           |
| Total expenditures                   | 120,695            | 120,695          | 120,695          | -                           |
| Revenues over (under) expenditures   | (120,695)          | (120,695)        | (120,695)        | -                           |
| Other financing sources (uses)       |                    |                  |                  |                             |
| Sale of asset                        | -                  | -                | 3,987            | 3,987                       |
| Transfer in                          | 150,000            | 150,000          | 150,000          | -                           |
| Total other financing sources (uses) | 150,000            | 150,000          | 153,987          | -                           |
| Net change in fund balance           | 29,305             | 29,305           | 33,292           | 3,987                       |
| Fund balance, beginning of year      | 8,257              | 8,257            | 8,257            | -                           |
| Fund balance, end of year            | <u>\$ 37,562</u>   | <u>\$ 37,562</u> | <u>\$ 41,549</u> | <u>\$ 3,987</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, 2015**

| Federal Grantor/Pass-through Grantor<br>Program Title or Cluster | Grant<br>Award | CFDA<br>No. | Grant<br>Amount | 14-15<br>Revenues | 14-15<br>Expenditures |
|------------------------------------------------------------------|----------------|-------------|-----------------|-------------------|-----------------------|
| <b>DEPARTMENT OF EDUCATION</b>                                   |                |             |                 |                   |                       |
| Passed through State Department of Education:                    |                |             |                 |                   |                       |
| Special Education - Grants to States                             | 2014-2015      | 84.027      | 679,494.18      | 679,494.00        | 679,494.00            |
|                                                                  | 2013-2014      | 84.173      | 6,768.71        | 1,074.00          | 1,074.00              |
|                                                                  | 2014-2015      | 84.173      | 4,963.40        | 834.00            | 834.00                |
|                                                                  | 2014-2015      | 84.027      | 11,665.39       | 11,665.00         | 11,665.00             |
|                                                                  | 2014-2015      | 84.027      | 900.00          | 900.00            | 900.00                |
|                                                                  | 2014-2015      | 84.027      | 5,305.00        | 5,305.00          | 5,305.00              |
|                                                                  | 2014-2015      | 84.027      | 3,252.00        | 3,252.00          | 3,252.00              |
|                                                                  |                |             |                 |                   | <u>702,524</u> (1)    |
| Migrant Education - State Grant Program                          | 2013-2014      | 84.011      | 401,317.00      | 142,300.00        | 142,300.00            |
|                                                                  | 2014-2015      | 84.011      | 403,585.00      | 240,597.00        | 240,597.00            |
|                                                                  |                |             |                 |                   | <u>382,897</u>        |
| Title I Grants to Local Educational Agencies                     | 2013-2014      | 84.010      | 743,663.00      | 87,224.00         | 87,224.00             |
|                                                                  | 2014-2015      | 84.010      | 743,447.00      | 671,965.00        | 671,965.00            |
|                                                                  |                |             |                 |                   | <u>759,189</u>        |
| Improving Teacher Quality State Grants                           | 2013-2014      | 84.367      | 152,973.00      | 71,148.00         | 71,148.00             |
|                                                                  | 2014-2015      | 84.367      | 152,709.00      | 102,277.00        | 102,277.00            |
|                                                                  |                |             |                 |                   | <u>173,425</u>        |
| English Language Acquisition State Grants                        | 2013-2014      | 84.365      | 114,423.00      | 9,652.00          | 9,652.00              |
|                                                                  | 2014-2015      | 84.365      | 104,477.00      | 93,102.00         | 93,102.00             |
|                                                                  |                |             |                 |                   | <u>102,754</u>        |
| 21st Century Community Learning Centers                          | 2013-2014      | 84.287      | 474,713.50      | 130,424.00        | 130,424.00            |
|                                                                  | 2014-2015      | 84-287      | 568,551.00      | 435,099.00        | 435,099.00            |
|                                                                  |                |             |                 |                   | <u>565,523</u>        |
| Delinquent Children and Youth                                    | 2014-2015      | 84.013      | 21,179.36       | 21,179.00         | 21,179.00             |
| Career and Technical Education -<br>Basic Grants to State        | 2014-2015      | 84.048      | 33,632.00       | 33,632.00         | 33,632.00             |
| Fresh Fruit and Vegetable Program                                | 2014-2015      | 10.582      | 27,825.00       | 21,065.00         | 21,065.00             |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                             |                |             |                 | <u>2,762,188</u>  | <u>2,762,188</u>      |

**HOOD RIVER COUNTY SCHOOL DISTRICT**  
**HOOD RIVER COUNTY, OREGON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

**DEPARTMENT OF AGRICULTURE**

Passed through State Department of Education:

National School Lunch:

|                                          |           |        |            |            |                      |
|------------------------------------------|-----------|--------|------------|------------|----------------------|
| Commodities Supplemental Food Program    | 2014-2015 | 10.555 | 104,406.39 | 104,422.00 | 104,422.00           |
| School Breakfast Program                 | 2014-2015 | 10.553 | 270,238.43 | 270,239.00 | 270,239.00           |
| National School Lunch Program            | 2014-2015 | 10.555 | 943,349.16 | 943,349.00 | 943,349.00           |
| Summer Food Service Program for Children | 2014-2015 | 10.559 | 24,511.19  | 24,511.00  | 24,511.00            |
|                                          |           |        |            |            | <u>1,342,521 (1)</u> |

|                      |           |        |           |           |           |
|----------------------|-----------|--------|-----------|-----------|-----------|
| CNP Block Child Care | 2014-2015 | 10.558 | 79,767.67 | 79,767.67 | 79,767.67 |
|----------------------|-----------|--------|-----------|-----------|-----------|

Passed through Hood River County:

|                                     |           |        |            |                   |                       |
|-------------------------------------|-----------|--------|------------|-------------------|-----------------------|
| School and Roads - Grants to States | 2014-2015 | 10.665 | 199,039.68 | <u>199,040.00</u> | <u>199,040.00 (1)</u> |
|-------------------------------------|-----------|--------|------------|-------------------|-----------------------|

TOTAL DEPARTMENT OF AGRICULTURE

1,621,329 1,621,329

**OTHER FEDERAL SOURCES**

Passed through Employment Dept

|                                        |           |        |          |                 |                 |
|----------------------------------------|-----------|--------|----------|-----------------|-----------------|
| Child Care and Development Block Grant | 2014-2015 | 93.575 | 9,750.00 | <u>9,750.00</u> | <u>9,750.00</u> |
|----------------------------------------|-----------|--------|----------|-----------------|-----------------|

**TOTALS**

\$ 4,393,267 \$ 4,393,267

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 2013-14 fiscal year, the district received U.S.D.A. commodities in the amount of \$108,820.

(1) - Major Program

**HOOD RIVER COUNTY SCHOOL DISTRICT**  
**HOOD RIVER COUNTY, OREGON**  
**GENERAL FUND**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED**  
**For the Year Ended June 30, 2015**

| Transactions<br>By Year | Original Levy<br>or Balanced<br>Uncollected<br>at<br>July 1, 2014 | Interest         | Discounts         | Collections          | Adjustments        | Property<br>Taxes<br>Uncollected<br>at<br>June 30, 2015 |
|-------------------------|-------------------------------------------------------------------|------------------|-------------------|----------------------|--------------------|---------------------------------------------------------|
| 2014-2015               | \$ 11,592,267                                                     | \$ 5,215         | \$ 293,794        | \$ 11,008,743        | \$ (22,368)        | \$ 267,362                                              |
| 2013-2014               | 260,511                                                           | 8,257            | 7,482             | 109,803              | 68                 | 143,294                                                 |
| 2012-2013               | 151,779                                                           | 7,449            | 5,241             | 37,971               | (1,340)            | 107,227                                                 |
| 2011-2012               | 104,609                                                           | 14,806           | 3,589             | 45,765               | (233)              | 55,022                                                  |
| 2010-2011               | 44,045                                                            | 10,181           | (230)             | 24,867               | (607)              | 18,801                                                  |
| 2009-2010 & Prior       | 32,254                                                            | 706              | (222)             | (474)                | 5,737              | 38,687                                                  |
|                         | <u>\$ 12,185,465</u>                                              | <u>\$ 46,614</u> | <u>\$ 309,654</u> | <u>\$ 11,226,675</u> | <u>\$ (18,743)</u> | <u>\$ 630,393</u>                                       |

Reconciliation to revenue:

|                         |                      |
|-------------------------|----------------------|
| Collections             | \$ 11,226,675        |
| Accrual of receivables: |                      |
| June 30, 2014           | (48,154)             |
| June 30, 2015           | 56,321               |
| Taxes in lieu           | (8,167)              |
|                         | <u>\$ 11,226,675</u> |

**HOOD RIVER COUNTY SCHOOL DISTRICT**  
**HOOD RIVER COUNTY, OREGON**  
**DEBT SERVICE FUND**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED**  
**For the Year Ended June 30, 2015**

| Transactions<br>By Year | Original Levy<br>or Balanced<br>Uncollected<br>at<br>July 1, 2014 | Interest         | Discounts         | Collections         | Adjustments       | Property<br>Taxes<br>Uncollected<br>at<br>June 30, 2015 |
|-------------------------|-------------------------------------------------------------------|------------------|-------------------|---------------------|-------------------|---------------------------------------------------------|
| 2014-2015               | \$ 3,825,156                                                      | \$ 1,721         | \$ 96,945         | \$ 3,632,608        | \$ (9,101)        | \$ 86,502                                               |
| 2013-2014               | 86,987                                                            | 2,736            | 2,479             | 36,385              | (3,376)           | 44,747                                                  |
| 2012-2013               | 51,081                                                            | 2,498            | 1,758             | 12,734              | (3,128)           | 33,461                                                  |
| 2011-2012               | 34,546                                                            | 4,799            | 1,164             | 14,835              | (5,511)           | 13,036                                                  |
| 2010-2011               | 14,524                                                            | 3,231            | (73)              | 7,893               | (3,968)           | 2,736                                                   |
| 2009-2010 & Prior       | 11,101                                                            | 245              | (77)              | (165)               | 16,931            | 28,274                                                  |
|                         | <u>\$ 4,023,395</u>                                               | <u>\$ 15,230</u> | <u>\$ 102,196</u> | <u>\$ 3,704,290</u> | <u>\$ (8,153)</u> | <u>\$ 208,756</u>                                       |

Reconciliation to revenue:

|                        |                     |
|------------------------|---------------------|
| Collections            | \$ 3,704,290        |
| Accrual of receivables |                     |
| June 30, 2014          | (15,940)            |
| June 30, 2015          | 18,623              |
| Taxes in Lieu          | (1,350)             |
|                        | <u>\$ 3,705,623</u> |

This Page Intentionally Left Blank

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT AS REQUIRED BY  
OREGON STATE REGULATIONS

This Page Intentionally Left Blank



PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcocpas.com

December 19, 2015

### **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, 2015, and have issued our report thereon dated December 19, 2015. 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 two teachers who were reported incorrectly on the Staff Position Report for Years in District Count. One teacher's Years in District Count included time working in the District as an instructional assistant, while the other teacher was underreported by one year.

**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.

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

This Page Intentionally Left Blank



PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcocpas.com

December 19, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 19, 2015.

**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.

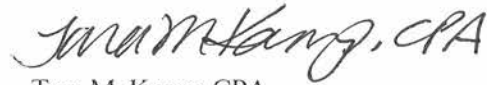
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 *Governmental Auditing Standards*.

### **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.

A handwritten signature in black ink that reads "Tara M. Kamp, CPA". The signature is fluid and cursive, with the letters "Tara" and "Kamp" being more prominent.

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



PAULY, ROGERS, AND CO., P.C.  
12700 SW 72<sup>nd</sup> Ave. Tigard, OR 97223  
(503) 620-2632 (503) 684-7523 FAX  
www.paulyrogersandcocpas.com

December 19 2015

**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, 2015. 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, 2015.

## 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, 2015

---

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

|                                                                                                                                 |                                                                                |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Type of auditors' report issued                                                                                                 | Unmodified                                                                     |
| Internal control over financial reporting:                                                                                      |                                                                                |
| Material weakness(es) identified?                                                                                               | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no            |
| Significant deficiency(s) identified that are not considered to be material weaknesses?                                         | <input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported |
| Noncompliance to material financial statements noted?                                                                           | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no            |
| Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133? | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no            |

**FEDERAL AWARDS**

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

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

SCHEDULE OF AUDIT FINDINGS  
AND QUESTIONED COSTS

For the Year Ended June 30, 2015

---

**IDENTIFICATION OF MAJOR PROGRAMS**

**CFDA NUMBER**      **NAME OF FEDERAL PROGRAM CLUSTER**

|                           |                                       |
|---------------------------|---------------------------------------|
| 84.027 and 84.173         | Special Education – Grants to States  |
| 10.665                    | Schools and Roads – Grants to States  |
| 10.555, 10.553,<br>10.559 | National School Lunch Program Cluster |

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**

NONE

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:**

NONE

**SECTION IV – SCHEDULE OF PRIOR FINANCIAL STATEMENT FINDINGS**

2014-001

**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, 2015

---

**SECTION IV – SCHEDULE OF PRIOR FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**RECOMMENDATION:**

We recommend the District document its internal controls.

**MANAGEMENT RESPONSE:**

District concurs. The chief financial officer, Saundra Buchanan, will complete the review of internal controls and document the District's internal controls by March 31, 2015. The Board adopted updated financial policies in 2013-2014. Any necessary changes to Board policies as a result of this review will be presented to the Board for action.

**STATUS:**

Corrected.

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

**2014-002 – SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL AND INSTANCE OF NON-COMPLIANCE**

**FEDERAL PROGRAM:**

Special Education – Grants to States

**SPECIFIC REQUIREMENTS:**

Under OMB A-87, when an employee is paid from a single federal funding source a Semi-Annual Certification is required to be prepared twice yearly and states that the employee spent 100% of their time working on activities supported by that funding source.

**CONDITION:**

During our testing, we noted one employee who was charged 100% to the grant who did not have a Semi-Annual Certification. Additionally, we noted that Semi-Annual Certifications were only performed once during the fiscal year, rather than twice yearly.

**QUESTIONED COSTS:**

None noted.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS

For the Year Ended June 30, 2015

---

**SECTION V – SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS AND QUESTIONS COSTS  
(CONTINUED)**

CAUSE:

Management has not appropriately placed controls around time and effort documentation for federal grants.

RECOMMENDATION:

We recommend that the District implement controls around time and effort documentation for federal grants to ensure all requirements are being met.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION PLAN:

District concurs. As a corrective action, the chief financial officer, Saundra Buchanan, will provide a list of employees for semi-annual time and effort certification for federal grants to the Curriculum and Instruction office who tracks time and effort documentation by December 31, 2014 and in future years, at the start of each school year or grant year, whichever comes first. Requirements for time and effort certifications were reviewed with department staff in December 2014.

STATUS:

Corrected.

**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.