

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016



12700 SW 72nd Ave.
Tigard, OR 97223

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

2015-16

FINANCIAL REPORT

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HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

BOARD OF DIRECTORS AS OF JUNE 30, 2016

BOARD OF EDUCATION

TERM EXPIRES

Jan Veldhuisen Virk	June, 2017
Chris Reitz	June, 2019
David Russo, Chair	June, 2017
Corinda Hankins Elliot	June, 2017
Julia Garcia-Ramirez	June, 2017
Tom Scully	June, 2019
Mark Johnson	June, 2017

ADMINISTRATION

Dan Goldman, Superintendent

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

1011 Eugene Street
Hood River, OR 97031

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HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

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HOOD RIVER COUNTY, OREGON

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December 22, 2016

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, 2016, 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of GASB Statement No. 72 – Fair Value Measurement and Application for the year ended June 30, 2016. 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 Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is 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 22, 2016 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 22, 2016, 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.

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**HOOD RIVER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016 and 2015. This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. This report is based on currently known facts, decisions, and conditions that existed at the date of the independent auditor's report.

FINANCIAL HIGHLIGHTS

- The District demonstrated compliance with the requirements of GASB 68 to report its net pension asset. Note 7 of the Basic Financial Statements includes more information about the pension plan. In the government-wide statement of net position as of June 30, 2016, the liabilities and deferred inflows of resources of the District exceeded assets and deferred outflows of resources by \$3,146,073. The decline in net position is primarily due to the pension-related deferrals, assets and liabilities.
- The District's governmental funds report combined ending fund balance of \$11,927,589, an increase of \$3,339,526 from the prior year. Approximately 50 percent of this total amount, \$5,946,365, is unassigned, available for appropriation at the District's discretion. The remaining fund balances are either nonspendable, restricted or assigned: \$40,761 for nonspendable prepaid and inventory, \$2,010,827 for use on capital projects, \$445,951 for grants, \$376,739 for debt service, and \$2,913,662 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 \$7,766,299. Of the total, \$193,284 was assigned to unemployment reserves and \$67,923 was assigned to bus replacement. The unassigned fund balance of \$5,946,365 increased by \$1,284,088 as compared to the prior year's unassigned fund balance of \$4,662,277.
- Capital assets additions of \$579,316 were from building improvements of \$138,889 and vehicles and equipment purchases of \$440,427. Note 6 of the Basic Financial Statements provides information about the capital assets.
- The District made all scheduled payments to reduce total debt by \$4,206,421 and did not issue any new debt in 2015-16. The other post-employment benefits (OPEB) liability decreased by \$75,555 for a total net OPEB liability of \$1,390,328 at the end of the year. Notes 8 and 9 provides information about other post-employment benefits and liability.

RECENT 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), July 1, 2014. 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. Compliance with GASB Statement 68 results in the reduction in the District's net position by \$7,021,699.

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, 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 38 through 56 of this report.

Government-wide Financial Analysis

Statement of Net Position. As noted earlier, net position over time may serve as an indicator of a government's financial position. As of June 30, 2016, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,146,073. Net position declined from \$3,875,626 as of June 30, 2015 to (\$3,146,073) primarily due to compliance with GASB Statement 68 which records the net pension asset or liability and pension-related deferred outflows and inflows of resources. The cumulative net effect of the net pension liability and pension-related deferred outflows and inflows of resources is a decrease of \$15,897,631 to the District's net position as of June 30, 2016. As of June 30, 2015, the cumulative net effect to the District's net position was a decrease of \$2,887,410. It is difficult to predict future impacts to the District as these pension-related amounts depend solely on actions of the PERS Board, PERS statutes which set pension program benefit levels, pension investment returns, employer contributions, and PERS actuarial assumptions.

Capital assets, which consist of the District's land, buildings, improvements, vehicles, and equipment, represent 70 percent of total assets. The remaining assets consist of cash and investments, property tax receivables, prepaid expenses and supply inventories.

The District's largest liability is for the repayment of general obligation and PERS bonds that represent 67 percent of total liabilities. The net pension liability represents 27 percent of total liabilities. Current

liabilities include accounts payable, salaries and contracts payable, accrued interest payable, accrued vacation, and unearned revenue that represent 6 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, beginning in the year ended June 30, 2015. The deferred outflow of resources is the pension related deferral of \$2,957,747. The deferred inflow of resources is the net deferred pension asset of \$3,816,823. The net pension liability is \$15,038,555. The pension-related amounts recorded on the statement of net position is a (\$15,897,631) impact to the District's net position, and is reported in the financial statements for 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, 2016 and June 30, 2017. 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 \$26,590,927 reflects its investment in capital assets (land, buildings, improvements, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students and other District residents, therefore, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (primarily property taxes) since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position of \$2,833,517 represents resources that are subject to external restrictions on how they may be used. The District reports a negative unrestricted balance of \$32,570,517 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 decreased overall by \$7,021,699 in 2015-16.

Net Position as of June 30, 2016 and June 30, 2015

	Governmental Activities		
	FY 2016	FY 2015	Incr(Decr)
Assets			
Current and other assets	\$15,676,345	\$18,852,850	(\$3,176,505)
Capital assets	36,988,585	38,519,019	(1,530,434)
Total Assets	52,664,930	57,371,869	(4,706,939)
Deferred Outflows of Resources			
Pension related deferral	2,957,757	-	2,957,757
Total Deferred Outflows of Resources	2,957,757	-	2,957,757
Liabilities			
Long-term obligations	51,790,522	40,958,388	10,832,134
Other liabilities	3,161,405	3,369,027	(207,622)
Total Liabilities	54,951,927	44,327,415	10,624,512
Deferred Inflows of Resources			
Net deferred pension asset	3,816,823	9,168,828	(5,352,005)
Total Deferred Inflows of Resources	3,816,823	9,168,828	(5,352,005)
Net Position:			
Net investment in capital assets	26,590,927	25,661,491	929,436
Restricted for:			
Grants	445,951	421,495	24,456
Capital Projects	2,078,750	1,720,229	358,521
Debt Service	376,739	352,388	24,351
Unrestricted	(32,638,440)	(24,279,977)	(8,358,463)
Total Net Position	(\$3,146,073)	\$3,875,626	(\$7,021,699)

Governmental Activities. During the current fiscal year, the net position for the governmental activities decreased by \$7,021,699. When combined with the beginning net position of \$3,875,626, the ending net position is (\$3,146,073). Noted differences include an increase in program revenues of \$1,673,411 and a decrease of \$426,413 in general revenues. Operating grants and contributions provided \$1,587,434 of the increase in program revenues. The decrease in general revenues was primarily from decreases in unrestricted state and local sources and unrestricted intermediate sources (Columbia Gorge ESD) which were mostly offset by increases in the state school fund and other revenue sources. Expenses increased overall by \$21,196,688 from the prior year with increases of \$12,169,425 in instruction, \$8,096,537 in support services, and \$1,110,037 in community services; and a decrease of \$179,311 in interest on long-term debt, as shown in the following table.

Statement of Activities
For the Years Ended June 30, 2016 and June 30, 2015

	Governmental Activities		
	FY 2016	FY 2015	Incr/(Decr)
Revenues			
Program revenues			
Charges for service	\$1,299,717	\$1,213,740	\$85,977
Operating grants and contributions	6,653,582	5,066,148	1,587,434
Total Program Revenues	7,953,299	6,279,888	1,673,411
General revenue			
Property taxes for general purposes	10,811,190	10,847,932	(36,742)
Property taxes for debt service	3,846,676	3,619,175	227,501
State school fund, general support	27,180,225	23,526,924	3,653,301
Common School fund	443,757	360,038	83,719
Construction excise tax	339,802	214,486	125,316
Unrestricted intermediate sources	725,000	2,145,217	(1,420,217)
Unrestricted state and local sources	1,947,350	5,279,366	(3,332,016)
Unrestricted federal revenue	152,946	0	152,946
Earnings on investments	119,410	65,596	53,814
Miscellaneous	1,282,695	1,216,730	65,965
Total General Revenue	46,849,051	47,275,464	(426,413)
Total Revenues	54,802,350	53,555,352	1,246,998
Expenses			
Instruction	37,234,512	25,065,087	12,169,425
Support services	21,331,814	13,235,277	8,096,537
Community services	3,216,439	2,106,402	1,110,037
Interest on long-term debt	41,284	220,595	(179,311)
Total Expenses	61,824,049	40,627,361	21,196,688
Increase (decrease) in net position	(7,021,699)	12,927,991	(19,949,690)
Net Position – July 1	3,875,626	(9,052,365)	12,927,991
Net Position – June 30	(\$3,146,073)	\$3,875,626	(7,021,699)

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.

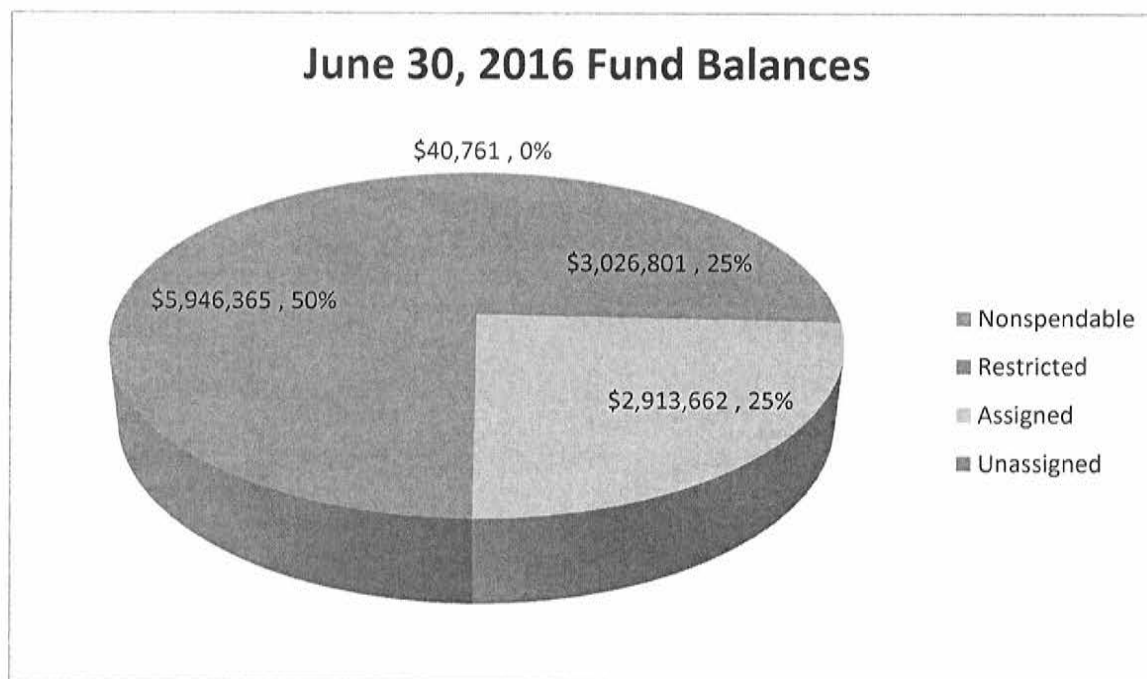
To further enhance this analysis, the District implemented GASB Statement 54 for fiscal year ending June 30, 2011. GASB 54 requires an analysis and breakdown of ending fund balance between five new fund balance categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. Following is a 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, 2016, the District's governmental funds reported combined fund balances of \$11,927,589, an increase of \$3,339,526 in comparison with the prior year, of which \$1,284,088 was from increases in the unassigned general fund balance, \$1,571,521 was from increases in the assigned general fund balance, \$26,374 was from increases in the bus replacement fund, \$54,342 was from increases in the unemployment fund, \$92,344 was from decreases in other fund balances, \$24,456 was from increases in the grants fund, and \$290,598 was from increases in the capital projects fund.

Fifty percent of the combined fund balance amount of \$11,927,589 constitutes unassigned fund balance of \$5,946,365, 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, \$40,761, 2) restricted for particular purposes, \$2,456,778, or 3) assigned for particular purposes, \$3,483,685. Additional information on the District's fund balances is in Note 16 of the Basic Financial Statements.



General Fund. The General Fund is the chief operating fund of the District. As of June 30, 2016, \$5,946,365 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 15.1 percent of total General Fund expenditures, while total fund balance represents approximately 20.3 percent of that same amount. Other ending general fund balances are restricted to the unemployment reserve; and assigned to the bus replacement and biennial operating reserve totaling \$193,284, \$67,923, and \$1,752,011, respectively.

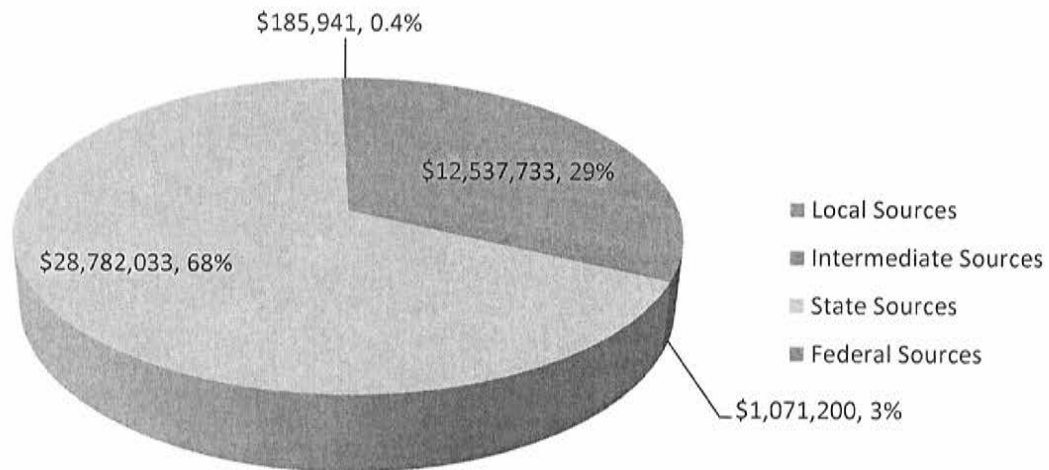
During 2015-16, the total General Fund balance of \$4,842,767 as of July 1, 2015 increased by \$3,116,816 to \$7,959,583 as of June 30, 2016. This increase can be attributed to an increase of revenues over expenses of \$3,116,816 as shown in the Statement of Revenues, Expenditures and Changes in Fund Balance.

State revenue sources of \$28,782,033, primarily state school fund revenue, equal 68 percent of total general fund revenue of \$42,576,907. Local revenue sources of \$12,537,733, primarily property taxes and local option taxes, equal 29 percent of total general fund revenues.

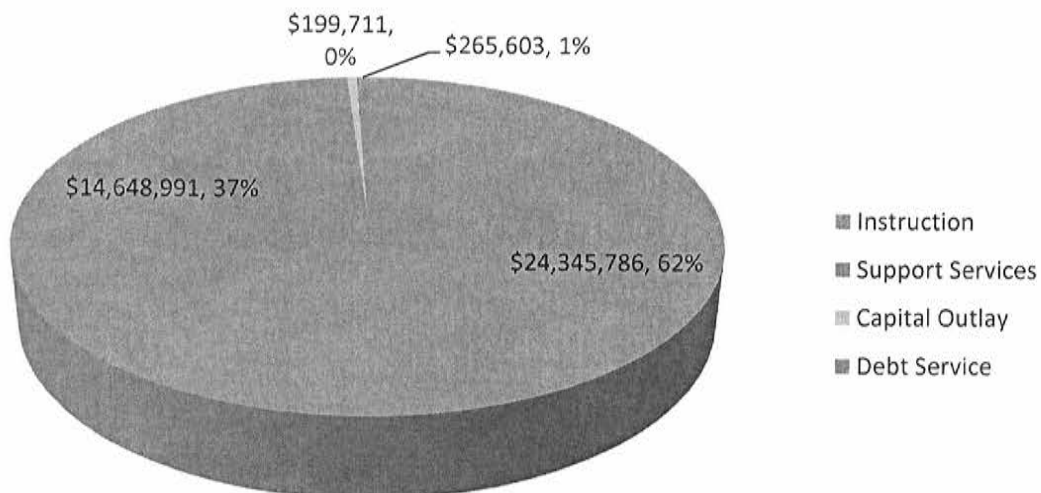
Of the total General Fund expenditures of \$39,460,091, instruction expenditures of \$24,347,786 equal 62 percent, support services expenditures of \$14,648,991 equal 37 percent, capital outlay expenditures of \$199,711 equal less 0.5 percent and debt service of \$265,603 equals 0.7 percent.

The following charts display the sources of General Fund revenue and expenditures by function.

15-16 General Fund Revenue



15-16 General Fund Expenditures



ANALYSIS OF THE BALANCES AND TRANSACTIONS OF OTHER FUNDS

Grants Fund. The Grants Fund has a total fund balance of \$445,951, all of which is restricted for grant expenditures. Federal, state, and local grants and contracts are segregated within the Grants Fund. Total revenue of \$4,397,377 exceeded total expenditures of \$4,372,921 by \$24,456 which increased the fund balance to \$445,951 as of June 30, 2016.

Capital Construction. The Capital Construction fund has a total fund balance of \$2,010,827, all of which is restricted for capital construction projects. During the year, restricted revenues of \$409,811 were received from construction excise tax and from SB 1149 funds received from utilities. Capital expenditures of \$119,213 during the year were from remaining bond proceeds.

Other Funds. Other Funds have a total fund balance of \$1,511,228, of which \$40,761 is nonspendable prepaid and supplies inventory, \$376,739 is restricted for the payment of debt service, \$392,189 is assigned to the School Lunch Fund, \$122,373 is assigned to the Community Education Fund, and \$574,404 is assigned to the Student Body funds. The net change in fund balance of (\$92,344) resulted from expenditures of \$7,542,562 exceeding revenues of \$7,450,218.

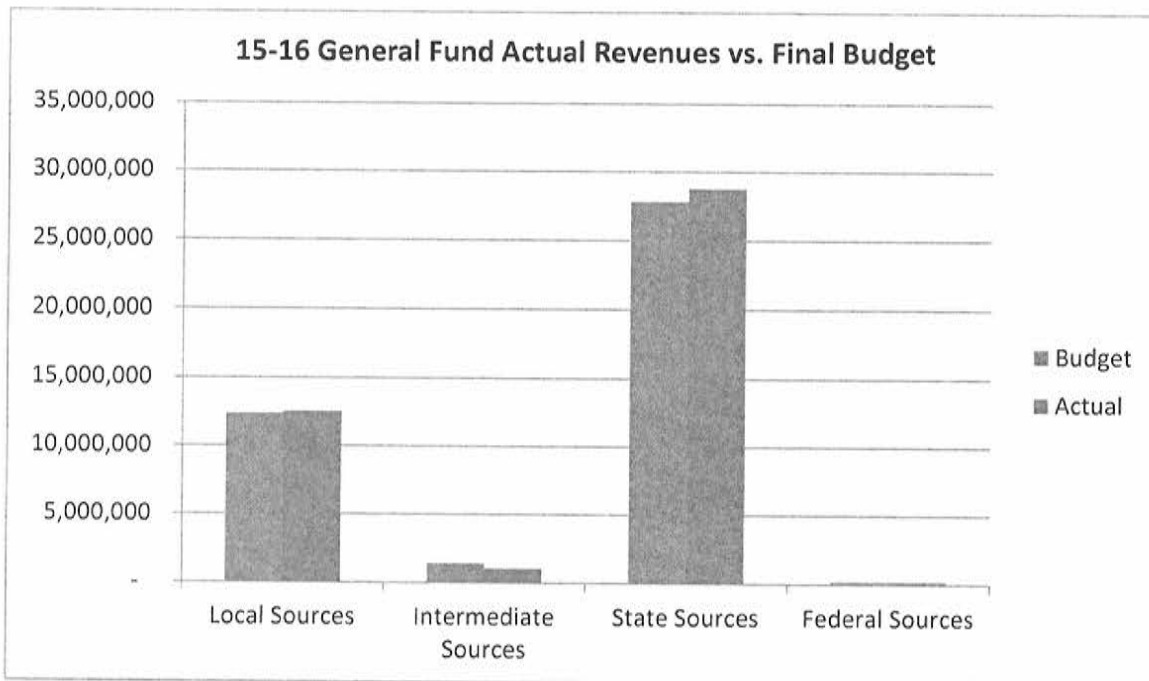
GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Revenues. General Fund actual revenues were greater than the adopted budget by \$717,023 or 1.7 percent as shown in the following table. Local revenue sources of revenue provided a favorable revenue variance of \$158,071 or 1.3 percent primarily from grant indirect charges revenue, miscellaneous revenue, interest, and property taxes. Unfavorable variances in local revenue were from Medicaid administration, prior year taxes, tuition from individuals, expenditure reimbursements and payments in lieu of property taxes. The intermediate revenue source, from the Columbia Gorge Educational Service District (CGESD), provided an unfavorable revenue variance of \$370,889 or 25.7 percent as primarily from invoiced services. State sources overall provided a favorable revenue variance of \$952,988 or 3.4 percent. Within state revenue sources, the state school fund (SSF) provided a favorable variance of \$786,050, the SSF prior year reconciliation provided a favorable variance of \$44,475, the common school fund provided a favorable variance of \$70,130, and the local option equalization revenue provided a favorable variance of \$52,333. Federal sources provided an unfavorable revenue variance of \$23,147, primarily from federal forest fees.

General Fund Actual Revenues vs. Budget for the Year Ending June 30, 2016

Revenue	Original Budget	Final Budget	Actual	Variance Amt	Variance %
Local Sources	\$12,044,655	\$12,379,662	\$12,537,733	\$158,071	1.3%
Intermediate Sources	1,406,865	1,442,089	1,071,200	(370,889)	(25.7%)
State Sources	27,910,915	27,829,045	28,782,033	952,988	3.4%
Federal Sources	20,000	209,088	208,790	(23,147)	(11.1%)
Total	\$41,382,435	\$41,859,884	\$42,576,907	\$717,023	1.7%

The original budget for general fund revenues was increased to account for new estimates of local sources of revenue, primarily property taxes. The budget was increased for Intermediate sources of revenue for estimated CGESD revenue, however, the level of invoiced services was less than budgeted. The original budget for State sources of revenue were increased due to new estimates in state school fund revenue and provided a favorable variance for the year. The original budget for Federal sources of revenue was for the teen parenting program, however, after learning that the federal forest fees revenue was expected to continue, the budget was adjusted to reflect the new estimated amount.

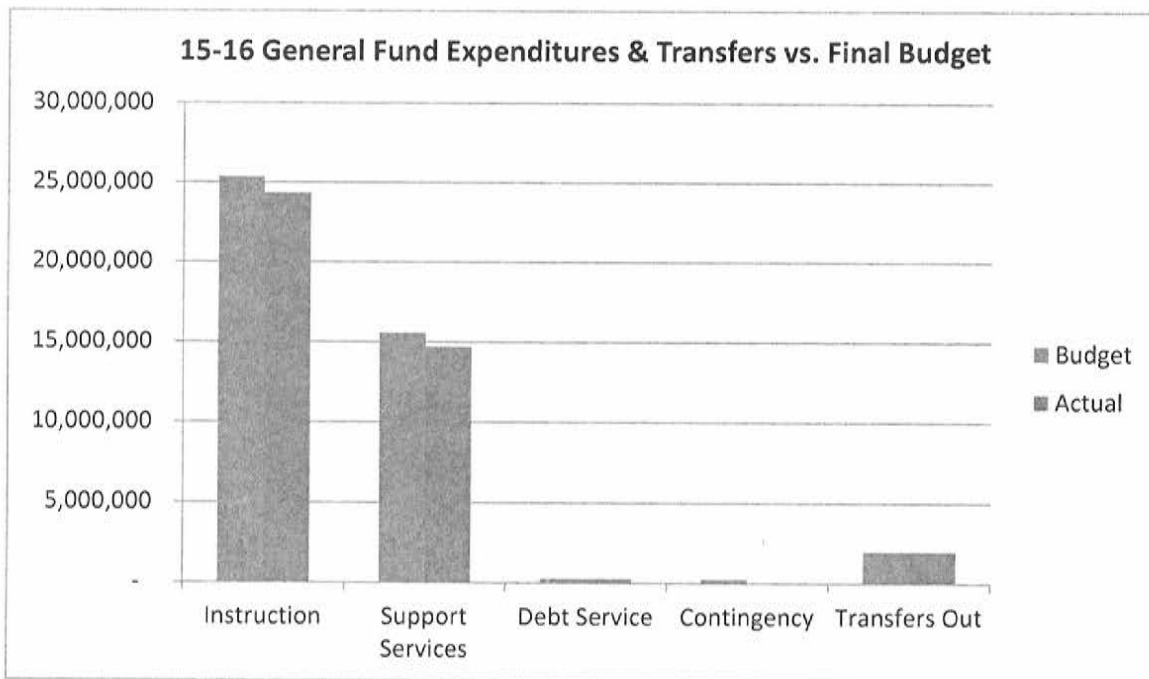


General Fund Expenditures. General Fund actual expenditures and transfers out were within overall budgeted amounts by 4.9 percent. Instruction expenditures were \$996,446 or 3.9 percent less than budget; \$848,342 in budget savings were from the elementary K-5 programs, middle school programs, high school programs, and resource rooms; and \$148,104 in budget savings were from all other instruction functions. Support services expenditures were \$890,855 or 5.7 percent less than budget; \$568,224 in budget savings were from human resources, student transportation, supplemental retirement program, and technology services; and \$322,631 in budget savings were from all other support services functions. The favorable budget variance in contingency of \$243,600 contributed to the overall expenditure budget savings of \$2,130,901 as shown in the following table.

General Fund Actual Expenditures & Transfers vs. Budget
For the Year Ending June 30, 2016

Expenditures	Original Budget	Final Budget	Actual	Variance Amt	Variance %
Instruction	\$24,956,796	\$25,344,232	\$24,347,786	\$996,446	3.9%
Support Services	15,226,860	15,573,274	14,682,419	890,855	5.7%
Debt Service	265,603	265,603	265,603	-	0%
Contingency	500,000	243,600	-	243,600	100.00%
Transfers Out	1,097,011	1,997,011	1,997,011	-	0%
Total	\$42,046,270	\$43,423,720	\$41,292,819	\$2,130,901	4.9%

The Board adopted a supplemental budget during the year to increase total appropriations by \$1,377,450 from the original budget of \$42,046,270 to the final budget of \$43,423,720 to account for program additions to support enrollment and to increase the amount of reserves in the biennial reserve fund from resources provided by an increased beginning fund balance.



Fund Balance. As shown in the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance on page 41, the General Fund balance as of June 30, 2016 of \$5,946,365 results from revenues exceeding expenditures by \$3,281,099 less transfers out of \$1,997,011. The favorable variance to final budget is \$2,847,924 and is comprised of a favorable revenue variance of \$717,023 and a favorable expenditure variance of \$2,130,901.

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, 2016, the District had invested \$36,988,585, net of accumulated depreciation, as shown in the following table.

Changes in Capital Assets
For the Years Ending June 30, 2016 and 2015

	FY 2016	FY 2015	Change
Land	\$4,066,141	\$4,066,141	\$0
Buildings and Improvements	64,790,776	64,651,887	138,889
Vehicles and Equipment	7,546,830	7,106,403	440,427
Total Depreciable Assets	72,337,606	71,758,290	579,316
Accumulated Depreciation	39,415,162	37,305,412	2,109,750
Total Net Capital Assets	\$36,988,585	\$38,519,019	(\$1,530,434)

Investments in buildings and improvements were \$9,904 for floor covering for May Street Elementary, \$91,900 in masonry work at Hood River Middle School (HRMS) and \$37,085 for the HRMS boiler. Additions to vehicles and equipment were \$30,466 for a pickup for the HRVHS agricultural program, \$123,626 for two small buses, and \$92,546 for vehicles previously purchased but not included in the previous years' total assets. Annual depreciation exceeded the total of new purchases so net capital assets decreased.

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

Debt Administration. As of June 30, 2016, the District had total debt outstanding and obligations of \$36,751,967. Of this amount, \$11,425,000 is general obligation bonds, \$21,413,026 is pension obligation bonds, \$2,380,000 is qualified school construction bonds, \$1,390,328 is other post-employment benefits (OPEB), and \$143,613 is unamortized bond premiums and discounts. The District made all scheduled payments to reduce total long term liabilities by \$4,206,421.

No changes were made to the District's credit ratings in 2015-16. 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 2016 is \$3,350,139,744. 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 2016, the District's limit on bonded indebtedness is \$266,336,110, which is significantly in excess of the District's outstanding general obligation debt as shown in the following table.

Hood River County School District
General Obligation Debt Capacity as of June 30, 2016

Measure 5 Real Market Value (Fiscal Year 2016)	\$3,350,139,744
Debt Capacity	
General Obligation Debt Capacity (7.95% of Real Market Value)	\$266,336,110
Less Outstanding Debt Subject to Limit	(11,425,000)
Remaining General Obligation Debt Capacity	\$254,911,110
Percent of Debt Capacity Issued	4.29%

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

DISCUSSION OF CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS OF FUTURE SIGNIFICANCE

On May 17, 2016, District voters approved measure 14-58 for general obligation bonds for repairs, construction, security, technology and energy efficiency in the amount of \$57,175,000. The State awarded a matching grant of \$4,499,478 through its Oregon Schools Capital Improvement Matching Program. The District was also awarded a seismic grant of \$898,400 for the Wy'east Middle School gymnasium. The Board authorized refunding bonds for a portion of the Series 2008 bonds saving District taxpayers \$694,230 of net present value. The capital construction and improvement program expenditures will begin in fiscal year 2016-17 and will be 85% expended within three years of the bond closing on September 13, 2016. These investments in the District's facilities will address the priorities of the District's Long Range Facilities Plan and Facilities Condition Assessment completed in 2015-16.

The District's biennial reserve fund was established to reserve the portion of the state school fund distribution in 2015-16 for 2016-17 and for reserving funds to address the future PERS rate increases. For 2016-17, the beginning fund balance of \$1,752,011 will be unappropriated as we reserve funds for the anticipated PERS rate increases for the 2017-19 biennium.

2016-17 Adopted Budget. In June 2016, the Board adopted the District budget for the fiscal year 2016-17. The adopted budget requirements for the General Fund for the year ending June 30, 2017 are \$49,075,912. 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 2016-17.

Other Funds Total Budget Requirements

Fund	2016-17 Total Budget Requirements
200 Food Service Fund	\$2,292,025
204 Student Body Funds	1,775,000
205 Community Education Fund	820,911
207 Biennial Reserve Fund	1,752,011
210 Unemployment Fund	217,657
212 Bus Replacement Fund	217,923
2XX Grant Funds	6,000,000
300 Debt Service Fund	4,079,491
4XX Capital Construction & Improvement Funds	64,432,710
Total Other Funds	\$81,587,728

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, 2016

ASSETS

Cash and investments	\$ 12,146,488
Receivables	3,485,398
Prepaid expenses	3,698
Supply inventories	40,761
Capital assets:	
Land	4,066,141
Buildings and equipment, net	32,922,444
Total assets	52,664,930

DEFERRED OUTFLOWS OF RESOURCES

Pension related deferral	2,957,747

LIABILITIES:

Accounts payable	682,016
Salaries and contracts payable	2,362,061
Accrued interest payable	29,257
Accrued vacation	83,551
Unearned revenue	4,520
Long-term obligations:	
Due within one year	2,170,986
Due in more than one year	34,580,981
Net pension liability	15,038,555
Total liabilities	54,951,927

DEFERRED INFLOWS OF RESOURCES:

Net deferred pension asset	3,816,823
Total deferred inflows of resources	3,816,823

NET POSITION:

Net investment in capital assets	26,590,927
Restricted for:	
Grants	445,951
Capital Projects	2,010,827
Debt Service	376,739
Unrestricted	(32,570,517)
Total net position	\$ (3,146,073)

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, 2016

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Instruction	\$ 37,234,512	\$ 37,311	\$ 3,694,802	\$ (33,502,399)
Support Services	21,331,814	115,913	1,506,015	(19,709,886)
Community Services	3,216,439	1,146,493	1,452,765	(617,181)
Interest on Long-Term Debt	41,284	-	-	(41,284)
Total Governmental Activities	<u>\$ 61,824,049</u>	<u>\$ 1,299,717</u>	<u>\$ 6,653,582</u>	<u>(53,870,750)</u>

General Revenues

Taxes:

Property Taxes, levied for:

General purposes

10,811,190

Debt service

3,846,676

State school fund, general support

27,180,225

Common School fund

443,757

Construction excise tax

339,802

Unrestricted intermediate sources

725,000

Unrestricted state and local sources

1,947,350

Unrestricted federal revenue

152,946

Earnings on investments

119,410

Miscellaneous

1,282,695

Total General Revenues

46,849,051

Changes in Net Position

(7,021,699)

Net Position, Beginning

3,875,626

Net Position, Ending

\$ (3,146,073)

See accompanying notes to basic financial statements.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Grants Fund	Capital Construction Fund	Other Governmental Funds	Total
ASSETS					
Cash and investments	\$ 8,718,065	\$ -	\$ 2,004,543	\$ 1,423,880	\$ 12,146,488
Receivables:					
Taxes	546,102	-	-	178,282	724,384
Accounts	1,034,527	1,543,450	63,181	119,856	2,761,014
Prepaid items	-	3,698	-	-	3,698
Supply inventory	-	-	-	40,761	40,761
Due from	1,063,845	-	-	-	1,063,845
Total assets	<u>\$ 11,362,539</u>	<u>\$ 1,547,148</u>	<u>\$ 2,067,724</u>	<u>\$ 1,762,779</u>	<u>\$ 16,740,190</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 507,804	\$ 37,352	\$ 56,897	\$ 79,963	\$ 682,016
Salaries and contracts payable	2,362,061	-	-	-	2,362,061
Unearned revenue	4,520	-	-	-	4,520
Due to	-	1,063,845	-	-	1,063,845
Total liabilities	<u>2,874,385</u>	<u>1,101,197</u>	<u>56,897</u>	<u>79,963</u>	<u>4,112,442</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	<u>528,571</u>	<u>-</u>	<u>-</u>	<u>171,588</u>	<u>700,159</u>
Total deferred inflows of resources	<u>528,571</u>	<u>-</u>	<u>-</u>	<u>171,588</u>	<u>700,159</u>
Fund balances:					
Nonspendable	-	-	-	40,761	40,761
Restricted for:					
Grants	-	445,951	-	-	445,951
Capital projects	-	-	2,010,827	-	2,010,827
Bus Replacement	-	-	-	-	-
Debt service	-	-	-	376,739	376,739
Unemployment	193,284	-	-	-	193,284
Assigned	1,819,934	-	-	1,093,728	2,913,662
Unassigned	<u>5,946,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,946,365</u>
Total fund balances	<u>7,959,583</u>	<u>445,951</u>	<u>2,010,827</u>	<u>1,511,228</u>	<u>11,927,589</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 11,362,539</u>	<u>\$ 1,547,148</u>	<u>\$ 2,067,724</u>	<u>\$ 1,762,779</u>	<u>\$ 16,740,190</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, 2016

Total Fund Balances - Governmental Funds	\$ 11,927,589
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The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole.

Net Capital Assets	36,988,585
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The proportionate share of the net pension liability is not reported as an asset in the governmental funds	(15,038,555)
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The net deferred pension asset is not reported as a deferred inflow in the governmental funds	(3,816,823)
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The net pension related deferred outflows are not reported in the governmental funds	2,957,747
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The unamortized portion of prepaid pension cost, bond premiums and bond issuance costs is not available to pay for current period expenditures, and therefore is not reported in the governmental funds.

Premiums	(143,613)
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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	\$ (1,390,328)	
Interest payable	(29,257)	
Accrued vacation	(83,551)	
General obligation bonds payable	(11,425,000)	
Limited tax pension bonds payable	(21,413,026)	
Qualified school construction bond	(2,380,000)	(36,721,162)

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.

700,159

Net Position	\$ (3,146,073)
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See accompanying notes to basic financial statements.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Grants Fund	Capital Construction Fund	Other Governmental Funds	Total
Revenues:					
Local sources	\$ 12,537,733	\$ 405,010	\$ 409,811	\$ 6,012,781	\$ 19,365,335
Intermediate sources	1,071,200	681,160	-	-	1,752,360
State sources	28,782,033	634,698	-	45,658	29,462,389
Federal sources	185,941	2,676,509	-	1,391,779	4,254,229
Total revenues	42,576,907	4,397,377	409,811	7,450,218	54,834,313
Expenditures:					
Current:					
Instruction	24,345,786	2,733,537	-	1,165,135	28,244,458
Support services	14,648,991	1,532,382	-	-	16,181,373
Community services	-	78,536	-	2,361,313	2,439,849
Facilities acquisition and construction	-	-	54,409	-	54,409
Capital outlay	199,711	28,466	64,804	193,789	486,770
Debt service	265,603	-	-	3,822,325	4,087,928
Total expenditures	39,460,091	4,372,921	119,213	7,542,562	51,494,787
Revenues over (under) expenditures	3,116,816	24,456	290,598	(92,344)	3,339,526
Other financing sources (uses):					
Transfer in	1,997,011	-	-	-	1,997,011
Transfer out	(1,997,011)	-	-	-	(1,997,011)
Total other financing sources (uses):	-	-	-	-	-
Net Change in Fund Balance	3,116,816	24,456	290,598	(92,344)	3,339,526
Fund balances, beginning of year	4,842,767	421,495	1,720,229	1,603,572	8,588,063
Fund balances, end of year	\$ 7,959,583	\$ 445,951	\$ 2,010,827	\$ 1,511,228	\$ 11,927,589

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, 2016

Total Net Changes in Fund Balances - Governmental Funds	\$	3,339,526
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Repayment of bond principal, capital leases and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Additions to bond principal, capital leases and post retirement obligations is an expense for the Statement of Net Position but not the governmental funds. Governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Accrued vacation	\$	(243)	
Amortization of bond premium		89,436	
OPEB liability		75,555	
Debt principal repaid		4,041,430	4,206,178

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		579,316	
Depreciation Expense		(2,109,750)	(1,530,434)

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.

5,215

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.

(31,963)

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.

(13,010,221)

Change in Net Position of Governmental Activities

\$ (7,021,699)

See accompanying notes to basic financial statements.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

The following *major governmental funds* are reported:

General Fund

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

Grants Fund

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

Capital Construction Fund

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

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Special Revenue:

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

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

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

Debt Service Fund

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

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

BUDGETS

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

The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent without re-publication. 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, 2016.

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

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair Value Inputs and Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS (CONTINUED)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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.

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.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE (CONTINUED)

- 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.

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.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Cash and Investments at June 30, 2016 (recorded at fair value) consisted of:

Total investments	\$ 10,796,063
Local Government Employers Benefit Trust	177,053
Deposits with financial institutions	<u>1,173,372</u>
Total	<u>\$ 12,146,488</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, 2016, the bank balance was \$2,427,238, with \$851,235 of the balance in excess over FDIC, which is covered under the Oregon PFCP collateral plan. There was also a balance of \$49,701 held in a credit union, which was fully insured by NCUA.

The insurance and collateral requirements for deposits are established by banking regulations and Oregon Law. Effective July 1, 2008, state statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), there may now be on deposit at any one bank depository and its branches, a sum in excess of the amount insured by the Federal Deposit Insurance Corporation.

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, 2016, all deposits were collateralized in accordance with Oregon law.

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.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, 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 fund appears to be in compliance with all portfolio guidelines at June 30, 2016. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

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	\$ 10,796,063	\$ 10,796,063	\$ -	\$ -
Total	<u>\$ 10,796,063</u>	<u>\$ 10,796,063</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.

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, 2016, 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.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. ACCOUNTS/GRANTS RECEIVABLE (CONTINUED)

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.

PROPERTY TAXES RECEIVABLE

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

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

4. SUPPLY INVENTORY

	Other Governmental Funds
Commodities and purchased foods	\$ 40,761

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, 2016 are as follows:

Depreciation was allocated to the functions as followed:

	Beginning of Year	Additions	(Deletions)	Balance End Of Year
Fixed Assets Not Being Depreciated				
Land	\$ 4,066,141	\$ -	\$ -	\$ 4,066,141
Fixed Assets Being Depreciated				
Buildings & Improvements	64,651,887	138,889	-	64,790,776
Vehicles & Equipment	7,106,403	440,427	-	7,546,830
Total Fixed Assets Depreciated	71,758,290	579,316	-	72,337,606
Accumulated Depreciation				
Buildings & Improvements	31,383,878	1,867,122	-	33,251,000
Vehicles & Equipment	5,921,534	242,628	-	6,164,162
Total Accumulated Depreciation	37,305,412	2,109,750	-	39,415,162
Total Net Capital Assets	<u>\$ 38,519,019</u>	<u>\$ 2,689,066</u>	<u>\$ -</u>	<u>\$ 36,988,585</u>

Instruction	\$ 1,270,585
Support Services	729,407
Community Services	<u>109,758</u>
Total	<u>\$ 2,109,750</u>

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.

- 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, 2013 actuarial valuation, which became effective July 1, 2015. 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, 2016 were \$2,116,707, excluding amounts to fund employer specific liabilities. Approximately \$2,049,337 was charged for the year ended June 30, 2016 as PERS benefits expenditures to be used for bond payments as they become due. In addition approximately \$170,125 in employee contributions were paid in fiscal 2016.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN (CONTINUED)

At June 30, 2016, the District reported a net pension liability of \$15,038,555 for its proportionate share of the net pension liability. The pension liability was measured as of December 31, 2013, 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 of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 810,955	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,152,422
Changes in proportionate share	30,085	-
Differences in proportion and differences between District contributions and proportionate share of contributions	-	260,739
Subtotal	<u>841,040</u>	<u>3,816,823</u>
District contributions subsequent to measurement date	2,116,707	-
Net deferred outflow (inflow) of resources	<u>\$ 2,957,747</u>	<u>\$ 3,816,823</u>

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
2017	\$ (1,462,463)
2018	(1,462,463)
2019	(1,462,463)
2020	1,398,284
2021	13,322
Total	<u>\$ (2,975,783)</u>

All assumptions, methods and plan provisions used in these calculations are described in the Oregon PERS system-wide GASB 68 reporting summary dated May 23, 2016. Oregon PERS produces an independently audited CAFR which can be found at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financial.aspx.

Actuarial Valuations – The employer contribution rates effective July 1, 2015 through June 30, 2017, 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, 2013 rolled forward to June 30, 2015
Experience Study Report	2014, Published September, 2015
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. For COLA, a blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision, blend based on service.
Mortality	Healthy retirees and beneficiaries: 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 2014 Experience Study which is reviewed for the four-year period ending December 31, 2013.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN (CONTINUED)

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.

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% Decrease (6.75%)	Discount rate 7.75%	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 36,294,992	\$ 15,038,555	\$ (2,875,038)

Since the December 31, 2013 actuarial valuation, the system-wide actuarial accrued liability has increased primarily due to the Moro decision and assumption changes, along with interest on the liability as current active members get closer to retirement. The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid by Employers compared to those developed in the prior actuarial valuation, and consequently increased plan liabilities. The employers' projected long-term contribution effort has been adjusted for the estimated impact of the Moro Decision. In accordance with statute, a biennial review of actuarial methods and assumptions was completed in 2015 to be used for the December 31, 2014 actuarial valuation. After completion of this review and subsequent to the measurement date, the PERS Board adopted several assumption changes, including lowering the investment return assumption to 7.50%, which will be effective January 1, 2016 and will be included in the next update.

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the District for amounts earned by them to not be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation, or retirement. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN (CONTINUED)

Individual Account Program - In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for OPERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive OPERS members who return to employment following a six month or greater break in service. The new plan consists of the defined benefit pension plans and a defined contribution pension plan (the Individual Account Program or IAP). Beginning January 1, 2004, all OPERS member contributions go into the IAP portion of OPSRP. OPERS' members retain their existing OPERS accounts, but any future member contributions are deposited into the member's IAP, not the member's OPERS account. Those employees who had established an OPERS membership prior to the creation of OPSRP will be members of both the OPERS and OPSRP system as long as they remain in covered employment. Members of OPERS and OPSRP are required to contribute six percent of their salary covered under the plan which is invested in the IAP. The District makes this contribution on behalf of its employees.

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

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:

	2016	2015	2014
Annual required contribution	\$ 24,145	60,154	\$ 139,394
Interest on net pension obligation	2,701	2,545	4,662
Adjustment to annual required contribution	22,508	12,971	58,553
Annual pension cost (APC)	4,338	49,728	85,503
Contributions made	35,000	23,318	138,424
Increase in net pension obligation	(30,662)	26,410	(52,921)
Net Pension Obligation (Asset) at beginning of year	90,032	63,622	116,543
Net Pension Obligation (Asset) at end of year	\$ 59,370	90,032	\$ 63,622
Percentage of APC contributed	-807%	-47%	-162%

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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

Actuarial Methods and Assumptions - The annual required contribution (ARC) for the current year was determined as part of the measurement date of July 1, 2015 actuarial valuation using the entry age normal cost method. For stipend benefits, the unfunded accrued liability is initially being amortized over a closed period of five years beginning July 1, 2014.

Funding Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$80,843, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$80,843. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$486,944, and the ratio of the UAAL to the covered payroll was 16.60%.

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.

Early Retirement Stipend

Program membership consisted on the following at June 30, 2016:

Active Program Members:

Vested	489
Non-vested	68
	<u>557</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)

	2016	2015	2014
Annual required contribution	\$ 259,369	\$ 364,802	\$ 354,177
Interest on net pension obligation	17,920	24,008	25,457
Adjustment to annual required contribution	149,338	152,227	161,418
Annual OPEB Cost	127,951	236,583	218,216
Contributions made	258,066	239,415	254,450
Increase in net pension obligation	(130,115)	(2,832)	(36,234)
Net OPEB Obligation (Asset) at beginning of year	597,351	600,183	636,417
Net OPEB Obligation (Asset) at end of year	\$ 467,236	\$ 597,351	\$ 600,183
Percentage of APC contributed	202%	101%	117%

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, 2015 actuarial valuation using the entry age normal cost method. Under this method, the present value of each member's projected benefits are calculated at their age of hire, and allocated over the member's service through their assumed retirement date, taking into consideration expected future compensation increases. The unfunded accrued liability is amortized over an open period of four years. Interest rate for discounting future liabilities is 3.00% 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, 2015, the plan was 0% funded. The actuarial accrued liability for benefits was \$990,226 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$990,226. The covered payroll (annual payroll of active employees covered by the plan) was \$24,504,467, and the ratio of the UAAL to the covered payroll was 17.63%.

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, 2016:

Active Program Members:

Vested	489
Non-vested	68
	<u>557</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:

	2016	2015	2014
Annual required contribution	\$ 342,038	\$ 284,528	\$ 276,241
Interest on net pension obligation	23,355	26,640	20,764
Adjustment to annual required contribution	25,949	25,449	19,835
Annual OPEB Cost	339,444	285,719	277,170
Contributions made	254,222	173,219	130,245
Increase in net pension obligation	85,222	112,500	146,925
Net OPEB Obligation (Asset) at beginning of year	778,500	666,000	519,075
Net OPEB Obligation (Asset) at end of year	\$ 863,722	\$ 778,500	\$ 666,000
Percentage of APC contributed	75%	61%	47%

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, 2015 actuarial valuation using the entry age normal cost method. Under this method, the present value of each member's projected benefits are calculated at their age of hire, and allocated over the member's service through their assumed retirement date, taking into consideration expected future compensation increases. 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 3.00% 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, 2016:

Active Program Members:

Vested	489
Non-vested	68
	<u>557</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 one outstanding general obligation bond series. The series 2010 general obligation bonds reached final maturity on June 15, 2016.

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

ISSUE	ORIGINAL ISSUE AMOUNT	INTEREST RATE	OUTSTANDING BALANCE 6/30/2016	FINAL MATURITY DATE
Series 2008	\$ 25,100,000	3.1-4.1%	\$ 11,425,000	6/15/2023
Total	<u>\$ 25,100,000</u>		<u>\$ 11,425,000</u>	

PERS Pension Obligation Bonds

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

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

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

ISSUE	INTEREST RATE	OUTSTANDING BALANCE 6/30/2016	FINAL MATURITY DATE
8/11/2011	2.06-6.10%	\$ 11,883,026	6/30/2028
2/19/2004	3.66-5.53%	9,530,000	6/30/2028
Total		<u>\$ 21,413,026</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 ISSUE AMOUNT	INTEREST RATE	OUTSTANDING BALANCE 6/30/2015	FINAL MATURITY DATE
Series 2010	\$ 3,600,000	1.95%	\$ 2,380,000	3/16/2026

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance 7/1/15	Additions	Deletions	Ending Balance 6/30/16	Due Within One Year
Governmental Activities:					
Bonds payable:					
General Obligation Bonds	\$ 14,645,000	\$ -	\$ 3,220,000	\$ 11,425,000	\$ 1,280,000
Pension Obligation Bonds	22,019,456	-	606,430	21,413,026	670,986
QSCB	2,595,000	-	215,000	2,380,000	220,000
OPEB	1,465,883	-	75,555	1,390,328	-
Unamortized bond premiums and (discounts)	233,049	-	89,436	143,613	-
Total Liabilities	<u>\$ 40,958,388</u>	<u>\$ -</u>	<u>\$ 4,206,421</u>	<u>\$ 36,751,967</u>	<u>\$ 2,170,986</u>

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, 2016 are as follows:

Fiscal Year	General Obligation		Pension Obligation Bonds			
	Series 2008		Series 2011		Series 2004	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,735,000	245,475	1,000,000	577,457	680,000	418,714
2022-26	3,905,000	242,650	6,910,000	2,006,880	4,930,000	1,428,012
2027-31	-	-	2,780,000	203,408	1,985,000	144,557
	<u>\$ 11,425,000</u>	<u>\$ 2,073,825</u>	<u>\$ 11,883,026</u>	<u>\$ 7,009,547</u>	<u>\$ 9,530,000</u>	<u>\$ 3,942,209</u>

Fiscal Year	Qualified School Construction Bond		Totals	
	Series 2010			
	Principal	Interest	Principal	Interest
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	235,000	28,958	3,650,000	1,270,604
2022-26	1,250,000	74,100	16,995,000	3,751,642
2027-31	-	-	4,765,000	347,965
	<u>\$ 2,380,000</u>	<u>\$ 262,861</u>	<u>\$ 35,218,026</u>	<u>\$ 13,288,442</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, 2016, employees had accumulated 22,947 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 \$89,020.

Remaining minimum lease payments are as follows:

2016-2017	\$	90,130
2017-2018		90,130
2018-2019		20,668
2019-2020		20,668
	\$	<u>221,596</u>

14. ACCRUED VACATION

At the beginning of the fiscal year, the District had an accrued vacation liability totaling \$83,308. During the year, the liability had a net increase of \$243, resulting in total accrued vacation liability of \$83,551 as of June 30, 2016.

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. FUND BALANCE CONSTRAINTS

The specific purposes for each of the categories of fund balance as of June 30, 2016 are as follows:

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Capital Projects Fund</u>	<u>Other</u>	<u>Total</u>
Fund Balances:					
Nonspendable:					
Prepaid & Inventory	\$ -	\$ -	\$ -	\$ 40,761	\$ 40,761
Restricted:					
Grants	-	445,951	-	-	445,951
Capital Projects	-	-	2,010,827	-	2,010,827
Unemployment	193,284	-	-	-	193,284
Debt Service	-	-	-	376,739	376,739
	<u>193,284</u>	<u>445,951</u>	<u>2,010,827</u>	<u>376,739</u>	<u>3,026,801</u>
Assigned:					
Biennial Reserve	1,752,011	-	-	-	1,752,011
Bus Replacement	67,923	-	-	-	67,923
School Lunch	-	-	-	392,189	392,189
Community Education	-	-	-	122,373	122,373
Student Body	-	-	-	579,166	579,166
	<u>1,819,934</u>	<u>-</u>	<u>-</u>	<u>1,093,728</u>	<u>2,913,662</u>
Unassigned:	<u>5,946,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,946,365</u>
Total Fund Balances:	<u>\$ 7,959,583</u>	<u>\$ 445,951</u>	<u>\$ 2,010,827</u>	<u>\$ 1,511,228</u>	<u>\$ 11,927,589</u>

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
SCHEDULE OF CONTRIBUTIONS**

June 30, 2016

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.26 %	\$ 15,038,555	\$ 23,176,164	64.9%	91.3 %
2015	0.28	(6,281,418)	22,647,166	-27.7%	103.6
2014	0.28	14,141,610	23,550,653	60.0%	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 required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2016	\$ 2,116,707	\$ 2,116,707	\$ -	\$ 23,868,521	8.87%
2015	2,913,322	2,913,322	-	23,176,164	12.57%
2014	2,888,949	2,888,949	-	22,647,166	12.76%

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, 2016

PLAN I (STIPENDS):

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b)-(a) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
7/1/2013	\$ -	\$ 255,226	\$ 255,226	0.00%	\$ 786,202	32.46%
7/1/2015		80,843	80,843	0.00%	486,944	16.60%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	\$ 85,503	161.90 %
2015	49,728	46.90
2016	4,338	806.80

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, 2016

PLAN II (HEALTH INSURANCE)
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
7/1/2013	\$ -	\$ 4,144,028	\$ 4,144,028	0.00%	\$ 23,303,848	17.78%
7/1/2015		4,320,491	4,320,491	0.00%	24,504,467	17.63%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	\$ 495,386	77.70 %
2015	522,302	79.00
2016	467,395	109.60

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, 2016

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 12,044,655	\$ 12,379,662	\$ 12,537,733	\$ 158,071
Intermediate sources	1,406,865	1,442,089	1,071,200	(370,889)
State sources	27,910,915	27,829,045	28,782,033	952,988
Federal sources	20,000	209,088	185,941	(23,147)
Total revenues	41,382,435	41,859,884	42,576,907	717,023
Expenditures:				
Instruction	24,956,796	25,344,232 (1)	24,347,786	996,446
Support services	15,226,860	15,573,274 (1)	14,682,419	890,855
Debt service	265,603	265,603 (1)	265,603	-
Contingency	500,000	243,600 (1)	-	243,600
Total expenditures	40,949,259	41,426,709	39,295,808	2,130,901
Revenues over (under) expenditures	433,176	433,175	3,281,099	2,847,924
Other financing sources (uses):				
Transfers out	(1,097,011)	(1,997,011) (1)	(1,997,011)	-
Total other financing sources (uses)	(1,097,011)	(1,997,011)	(1,997,011)	-
Net change in fund balance	(663,835)	(1,563,836)	1,284,088	2,847,924
Fund balance, beginning of year	2,732,956	4,662,277	4,662,277	-
Fund balance, end of year	\$ 2,069,121	\$ 3,098,441	5,946,365	\$ 2,847,924

(1) Appropriation level

RECONCILIATION TO GAAP FUND BALANCE AS REQUIRED BY GASB 54

Ending Fund Balance:	
Unemployment Reserve Fund	193,284
Bus Replacement Reserve Fund	67,923
Operational Reserve Fund	1,752,011
	<u>\$ 7,959,583</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, 2016

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 580,800	\$ 474,981	\$ 405,010	\$ (69,971)
Intermediate sources	819,200	1,329,448	681,160	(648,288)
State Sources	1,172,581	969,093	634,698	(334,395)
Federal sources	2,827,419	2,626,478	2,676,509	50,031
Total revenues	5,400,000	5,400,000	4,397,377	(1,002,623)
Expenditures:				
Instruction	4,037,414	3,927,239 (1)	2,762,003	1,165,236
Support services	1,588,306	1,851,481 (1)	1,532,382	319,099
Community service	174,280	111,280 (1)	78,536	32,744
Facilities Acquisition	100,000	10,000 (1)	-	10,000
Total expenditures	5,900,000	5,900,000	4,372,921	1,527,079
Revenues over (under) expenditures	(500,000)	(500,000)	24,456	524,456
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)	(500,000)	24,456	524,456
Fund balance, beginning of year	500,000	500,000	421,495	(78,505)
Fund balance, end of year	\$ -	\$ -	\$ 445,951	\$ 445,951

(1) Appropriation level

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HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
 CAPITAL CONSTRUCTION FUND (A MAJOR FUND) -
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 528,500	\$ 528,500	\$ 409,811	\$ (118,689)
Total revenues	528,500	528,500	409,811	(118,689)
Expenditures:				
Facilities acquisition and construction	1,760,226	1,831,799 (1)	119,213	1,712,586
Total expenditures	1,760,226	1,831,799	119,213	1,712,586
Net change in fund balance	(1,231,726)	(1,303,299)	290,598	1,593,897
Fund balance, beginning of year	1,599,509	1,775,797	1,720,229	(55,568)
Fund balance, end of year	<u>\$ 367,783</u>	<u>\$ 472,498</u>	<u>\$ 2,010,827</u>	<u>\$ 1,538,329</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, 2016

	Food Service Fund	Community Education Fund	Student Body Fund	Debt Service Fund	Total
ASSETS					
Cash and cash equivalents	\$ 297,055	\$ 199,324	\$ 579,166	\$ 348,335	\$ 1,423,880
Receivables:					
Taxes	-	-	-	178,282	178,282
Accounts	97,858	288	-	21,710	119,856
Supply inventories	40,761	-	-	-	40,761
Total assets	<u><u>\$ 435,674</u></u>	<u><u>\$ 199,612</u></u>	<u><u>\$ 579,166</u></u>	<u><u>\$ 548,327</u></u>	<u><u>\$ 1,762,779</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 2,724	\$ 77,239	\$ -	\$ -	\$ 79,963
Total liabilities	<u>2,724</u>	<u>77,239</u>	<u>-</u>	<u>-</u>	<u>79,963</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	-	-	-	171,588	171,588
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,588</u>	<u>171,588</u>
Fund balances:					
Nonspendable	40,761	-	-	-	40,761
Restricted	-	-	-	376,739	376,739
Assigned	392,189	122,373	579,166	-	1,093,728
Total fund balance	<u>432,950</u>	<u>122,373</u>	<u>579,166</u>	<u>376,739</u>	<u>1,511,228</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 435,674</u></u>	<u><u>\$ 199,612</u></u>	<u><u>\$ 579,166</u></u>	<u><u>\$ 548,327</u></u>	<u><u>\$ 1,762,779</u></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, 2016

	Food Service Fund	Community Education Fund	Student Body Fund	Debt Service Fund	Total
Revenues:					
Local sources	\$ 274,765	\$ 865,564	\$ 1,025,776	\$ 3,846,676	\$ 6,012,781
State sources	34,008	11,650	-	-	45,658
Federal sources	1,391,779	-	-	-	1,391,779
Total revenues	1,700,552	877,214	1,025,776	3,846,676	7,450,218
Expenditures:					
Instruction	-	144,121	1,021,014	-	1,165,135
Community services	1,840,572	714,530	-	-	2,555,102
Debt service	-	-	-	3,822,325	3,822,325
Total expenditures	1,840,572	858,651	1,021,014	3,822,325	7,542,562
Net change in fund balance	(140,020)	18,563	4,762	24,351	(92,344)
Fund balances, beginning of year	572,970	103,810	574,404	352,388	1,603,572
Fund balances, end of year	\$ 432,950	\$ 122,373	\$ 579,166	\$ 376,739	\$ 1,511,228

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, 2016

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 400,000	\$ 400,000	\$ 274,765	\$ (125,235)
State Sources	18,500	18,500	34,008 (2)	15,508
Federal sources	1,500,000	1,500,000	1,391,779	(108,221)
Total revenues	1,918,500	1,918,500	1,700,552	(217,948)
Expenditures:				
Enterprise and community services	2,418,500	2,491,470 (1)	1,840,572	650,898
Total expenditures	2,418,500	2,491,470	1,840,572	650,898
Net change in fund balance	(500,000)	(572,970)	(140,020)	432,950
Fund balance, beginning of year	500,000	572,970	572,970	-
Fund balance, end of year	\$ -	\$ -	\$ 432,950	\$ 432,950

(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, 2016

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 829,000	\$ 829,000	\$ 865,564	\$ 36,564
Total revenues	829,000	829,000	877,214	48,214
Expenditures:				
Instruction	171,489	171,489 (1)	144,121	27,368
Enterprise and community services	657,511	740,411 (1)	714,530	25,881
Total expenditures	829,000	911,900	858,651	53,249
Net change in fund balance	-	(82,900)	18,563	101,463
Fund balance, beginning of year	-	103,811	103,810	(1)
Fund balance, end of year	\$ -	\$ 20,911	\$ 122,373	\$ 101,462

(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, 2016

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local sources	\$ 1,200,000	\$ 1,200,000	\$ 1,025,776	\$ (174,224)
Total revenues	1,200,000	1,200,000	1,025,776	(174,224)
Expenditures:				
Instruction	1,750,000	1,774,404 (1)	1,021,014	753,390
Total expenditures	1,750,000	1,774,404	1,021,014	753,390
Net change in fund balance	(550,000)	(574,404)	4,762	579,166
Fund balance, beginning of year	550,000	574,404	574,404	-
Fund balance, end of year	\$ -	\$ -	\$ 579,166	\$ 579,166

(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, 2016

	Original Budget	Final Budget	Actual	Variance to Final Budget
Revenues:				
Local Sources	\$ 3,620,534	\$ 3,620,534	\$ 3,846,676	\$ 226,142
Total revenues	3,620,534	3,620,534	3,846,676	226,142
Expenditures:				
Debt service	3,822,325	3,822,325 (1)	3,822,325	-
Total expenditures	3,822,325	3,822,325	3,822,325	-
Net change in fund balance	(201,791)	(201,791)	24,351	226,142
Fund balance, beginning of year	201,791	201,791	352,388	150,597
Fund balance, end of year	\$ -	\$ -	\$ 376,739	\$ 376,739

(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, 2016

	Original Budget	Final Budget	Actual	Variance to Final Budget
Expenditures:				
Support services	\$ 101,169	\$ 111,285 (1)	\$ 40,657	\$ 70,628
Total Expenditures	101,169	111,285	40,657	70,628
Revenues over (under) expenditures	(101,169)	(111,285)	(40,657)	70,628
Other Financing Sources (Uses)				
Transfer In	95,000	95,000	95,000	-
Total Other Financing Sources (Uses)	95,000	95,000	95,000	-
Net change in fund balance	(6,169)	(16,285)	54,343	70,628
Fund balance, beginning of year	6,169	16,285	138,941	122,656
Fund balance, end of year	\$ -	\$ -	\$ 193,284	\$ 193,284

(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, 2016

	Original Budget	Final Budget	Actual	Variance to Final Budget
Expenditures:				
Support services	\$ 135,000	\$ 138,987 (1)	\$ 123,626	\$ 15,361
Total expenditures	135,000	138,987	123,626	15,361
Revenues over (under) expenditures	(135,000)	(138,987)	(123,626)	15,361
Other financing sources (uses)				
Transfer in	150,000	150,000	150,000	-
Total other financing sources (uses)	150,000	150,000	150,000	-
Net change in fund balance	15,000	11,013	26,374	15,361
Fund balance, beginning of year	37,562	37,562	41,549	3,987
Fund balance, end of year	<u>\$ 52,562</u>	<u>\$ 48,575</u>	<u>\$ 67,923</u>	<u>\$ 19,348</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
 RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>
Other financing sources (uses)				
Transfer in	\$ 852,011	\$ 1,752,011	\$ 1,752,011	\$ -
Total other financing sources (uses)	<u>852,011</u>	<u>1,752,011</u>	<u>1,752,011</u>	<u>-</u>
Net change in fund balance	852,011	1,752,011	1,752,011	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 852,011</u>	<u>\$ 1,752,011</u>	<u>\$ 1,752,011</u>	<u>\$ -</u>

(1) Appropriation level

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

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Program Title	Pass-Through Organization	Pass-Through Entity Number	CFDA Number	Expenditures	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION					
<u>Special Education Cluster</u>					
Special Education - Grants to States	ODE	37886	84.027	\$ 675,066	\$ -
	ODE	35762	84.027	900	-
	ODE	38339	84.027	5,305	-
	ODE	38127	84.027	598	-
	ODE	38717	84.027	1,315	-
Special Education - Preschool Grants					
Special Education - Preschool Grants (IDEA Preschool)	ODE	33461	84.173	4,130	-
	ODE	37175	84.173	2,328	-
<u>Total Special Education Cluster</u>				<u>689,642</u>	<u>-</u>
Migrant Education - State Grant Program	ODE	31057, 33580	84.011	98,949	-
	ODE	35104, 37736	84.011	203,209	-
Total Migrant Education - State Grant Program				<u>302,158</u>	<u>-</u>
Title I Grants to Local Educational Agencies	ODE	32600	84.010	71,482	-
	ODE	35991	84.010	674,782	-
Total Title I Grants to Local Educational Agencies				<u>746,264</u>	<u>-</u>
Supporting Effective Instruction State Grant	ODE	32924	84.367	50,432	-
	ODE	36188	84.367	81,919	-
Total Supporting Effective Instruction State Grant				<u>132,351</u>	<u>-</u>
English Language Acquisition State Grants					
English Language Acquisition State Grants	ODE	32331	84.365	11,375	-
	ODE	36330	84.365	65,307	-
Total English Language Acquisition State Grants				<u>76,682</u>	<u>-</u>
21st Century Community Learning Centers	ODE	32272	84.287	136,785	-
	ODE	36384	84-287	498,531	-
Total 21st Century Community Learning Centers				<u>635,316</u>	<u>-</u>
Career and Technical Education - Basic Grants to State	ODE	36408	84.048	28,099	-
Title I State Agency Program for Neglected and Delinquent Children and Youth	ODE	38518	84.013	24,347	-
Special Education - State Personnel Development	ODE	38493	84.323	11,468	-
	ODE	37373	84.323	3,267	-
Total Special Education - State Personnel Development				<u>14,735</u>	<u>-</u>
TOTAL DEPARTMENT OF EDUCATION				<u>2,649,594</u>	<u>-</u>

<u>Child Nutrition Cluster:</u>					
School Breakfast Program					
School Breakfast Program	ODE	N/A	10.553	319,073	-
National School Lunch Program	ODE	N/A	10.555	841,197	-
Noncash Assistance: Commodities	ODE	N/A	10.555	125,104	-
Summer Food Service Program for Children	ODE	N/A	10.559	29,326	-
Noncash Assistance: Commodities	ODE	N/A	10.559	183	-
<u>Total Child Nutrition Cluster</u>				<u>1,314,883</u> (1)	
		36605, 38591,			
Fresh Fruit and Vegetable Program	ODE	39901	10.582	26,915	-
CNP Block Child Care	ODE	N/A	10.558	76,896	-
	Hood River County	N/A	10.665	<u>169,929</u>	-
Federal Forest Fees					
TOTAL DEPARTMENT OF AGRICULTURE				1,588,623	-

Child Care and Development Block Grant	Oregon Employment Department	N/A	93,575	<u>16,012</u>	<u>-</u>
TOTAL GRANTS EXPENDED OR PASSED THROUGH TO SUBRECIPIENTS				<u>4,254,229</u>	<u>-</u>

This schedule of federal awards includes the federal grant activity of Hood River County School District and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CRF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Nonmonetary assistance is reported in this schedule at the fair value of the commodities received and disbursed. During the 2015-16 fiscal year, the district received U.S.D.A. commodities in the amount of \$125,287

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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, 2016

Transactions By Year	Original Levy or Balanced Uncollected at July 1, 2015	Interest	Discounts	Collections	Adjustments	Property Taxes Uncollected at June 30, 2016
2015-2016	\$ 12,161,893	\$ 5,777	\$ 306,996	\$ 11,564,649	\$ (66,791)	\$ 229,234
2014-2015	267,362	11,071	(7)	133,037	(23,715)	121,688
2013-2014	143,294	15,407	(5)	73,122	(8,534)	77,050
2012-2013	107,227	19,718	(5)	63,814	(15,262)	47,874
2011-2012	55,022	10,983	-	27,549	(12,741)	25,715
2010-2011 & Prior	57,488	232	(2)	238	(12,943)	44,541
	<u>\$ 12,792,286</u>	<u>\$ 63,188</u>	<u>\$ 306,977</u>	<u>\$ 11,862,409</u>	<u>\$ (139,986)</u>	<u>\$ 546,102</u>

Reconciliation to revenue:

Collections	\$ 11,862,409
Accrual of receivables:	
June 30, 2015	(56,321)
June 30, 2016	39,479
Taxes in lieu	1,308
	<u>\$ 11,846,875</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, 2016

Transactions By Year	Original Levy or Balanced Uncollected at July 1, 2015	Interest	Discounts	Collections	Adjustments	Property Taxes Uncollected at June 30, 2016
2015-2016	\$ 3,929,658	\$ 1,867	\$ 99,194	\$ 3,736,681	\$ (21,582)	\$ 74,068
2014-2015	86,502	3,653	(2)	43,899	(6,104)	40,154
2013-2014	44,747	5,105	(2)	24,230	(91)	25,533
2012-2013	33,461	6,612	(2)	21,400	(2,619)	16,056
2011-2012	13,036	3,560	-	8,930	669	8,335
2010-2011 & Prior	31,010	74	(1)	75	(16,874)	14,136
	<u>\$ 4,138,414</u>	<u>\$ 20,871</u>	<u>\$ 99,187</u>	<u>\$ 3,835,215</u>	<u>\$ (46,601)</u>	<u>\$ 178,282</u>

Reconciliation to revenue:

Collections	\$ 3,835,215
Accrual of receivables	
June 30, 2015	(18,623)
June 30, 2016	8,602
Taxes in Lieu	<u>7,578</u>
	<u>\$ 3,832,772</u>

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT AS REQUIRED BY
OREGON STATE REGULATIONS

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December 22, 2016

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, 2016, and have issued our report thereon dated December 22, 2016. 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.

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

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December 22, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated December 22, 2016.

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 cursive script that reads "Tara M. Kamp, CPA".

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



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December 22 2016

**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 THE UNIFORM GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. 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, 2016

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ yes ☒ no

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

☐ yes ☒ none reported

Noncompliance to material financial statements noted?

☐ yes ☒ no

Any GAGAS audit findings disclosed that are required to be reported
In accordance with section 515(d)(2) of the Uniform Guidance?

☐ yes ☒ no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?

☐ yes ☒ no

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

☐ yes ☒ none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance
with section 200.516(a) of the Uniform Guidance?

☐ yes ☒ no

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

SCHEDULE OF AUDIT FINDINGS
AND QUESTIONED COSTS

For the Year Ended June 30, 2016

IDENTIFICATION OF MAJOR PROGRAMS

CFDA NUMBER **NAME OF FEDERAL PROGRAM CLUSTER**

10.555, 10.553,
10.559 Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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

NONE

HOOD RIVER COUNTY SCHOOL DISTRICT
HOOD RIVER COUNTY, OREGON

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

For the Year Ended June 30, 2016

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity under programs of the federal government. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations, it is not intended to and does not present the net position, changes in net position, or cash flows of the entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The entity has not elected to use the ten percent de minimus indirect cost rate as allowed under Uniform Guidance, due to the fact that they already have a negotiated indirect cost rate with Oregon Department of Education, and thus is not allowed to use the de minimus rate.

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