

TILLAMOOK SCHOOL DISTRICT #9
2017-2018
BUDGET MESSAGE

Tillamook School District No. 9, Tillamook County, Oregon, was organized under the provisions of Oregon Statutes pursuant to Oregon Revised Statutes Chapter 332 for the purpose of operating elementary and secondary schools. The annual budget is prepared pursuant to Local Budget Law, addressed in Oregon Revised Statutes Chapter 294.

The accounts of the District are organized on the basis of funds. Each fund is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. The 2017-2018 Budget includes the following fund classifications:

100	General Fund	(pgs. 1-36)
200	Special Revenue Funds	(pgs. 37-83)
300	Debt Service Funds	(pgs. 84-86)
400	Capital Project Funds	(pgs. 87-93)
600	Internal Service Funds	(pg. 94)
700	Trust and Agency Funds	(pg. 95)

The District uses the Modified Accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to early retirement and compensated absences, are recorded only when payment is due.

The **General Fund** provides the funds necessary to meet the expenditures relating to K-12 activities, including instruction and support services, necessary to carry out the District's mission. **Special Revenue Funds** and **Capital Project Funds** provide funds to enhance the quality of education and to provide the necessary facilities to meet the needs of the students. **Debt Service Funds** account for obligations resulting from bonds and notes to support facility improvements. **Internal Service Funds** account for district activities where the reporting focus is upon determining net income, financial position and changes in cash flow. **Trust & Agency Funds** are assets held by the district as a trustee or agent.

Most of the District's General Fund revenue comes from the State School Fund (SSF). Districts in the state estimated a need of about \$8.4 billion in SSF in order to retain current programs. However, at the time this budget was prepared, the state was facing a budget shortfall of about \$1.6 billion for the 2017-2019 biennium. The Governor proposed a K-12 budget (SSF) of \$8.02 billion, while the Co-Chair proposed a budget of \$7.8 billion. Based on their proposed budgets, and not knowing the outcome until after this budget is adopted, the District built its budget on an estimated **\$7.9 billion** State School Funding level. This level of funding requires the District to use **\$627,515** of the General Fund reserve to balance the budget. Funding from the SSF is based on a district's ADMw (Average Daily Membership "weighted"). This budget is built on a projected ADMw of **2,526.52**. The ADMw calculation is comprised of an estimated 2,089 ADMr (Average Daily Membership regular), then "weighted" by factors which offer additional funding per student in each of the following special needs categories: ELL (English Language Learners), students on IEP's, students in Pregnant/Parenting Programs, students in poverty, and students in foster care. Between 2008 and 2012, the District witnessed a steady decrease in student enrollment, however, this trend changed in 2013 and over the next three school years the District's ADMr increased by 123 students. The current year (2016-2017) is pacing only slightly higher than 2015-2016, and with this in mind, the 2017-2018 Budget was built using the same ADMr as the estimated actual ADMr for 2016-2017 school year.

General Fund revenues for 2017-2018 are budgeted at **\$25,171,249**. This includes \$19,326,249 in State School Funding, \$1,645,000 in other local and state funding, and a beginning balance (reserve) of \$4,200,000. The SSF includes local revenues received for Ad Valorem taxes, State Managed County Timber, Federal Forest Fees, and Common School Fund. Because these revenues are collected locally by the District, they are subtracted from the District's portion of the SSF and are budgeted as separate line items under General Fund revenues. The State School Fund also includes the State Transportation Grant which reimburses the District up to 70% for the cost of student transportation. Other revenue sources include interest earned on invested cash balances, tuition reimbursements from other districts, grant indirect fees, Medicaid reimbursements, gate fees from student activities, facility rental fees, unallocated service credits from Northwest Regional Educational Service District (NWRESA), funds from Tillamook Education Foundation in support of educational programs, and a state grant for the Pre-Kinder Program.

Expenditures in the General Fund are appropriated for instruction, student support, community support and transfers to other funds. A contingency of \$500k is budgeted for expenditures which cannot be foreseen and planned due to an unusual or extraordinary event. Total budgeted expenditures in the General Fund, before the contingency, amount to **\$21,998,764**. Salaries and benefits make up 84.34% of the expenditures, 11.36% is for supplies, utilities, fuel, property insurance, etc., and 4.30% is transferred out to support other programs. Transfers include the following: \$22,000 Youth Transition Program; \$20,000 Food Service Program, \$20,000 Vehicle Replacement Program, \$10,000 After-School Program, \$400,000 Group HRA Insurance Fund, \$400,000 Capital Improvement Fund, and \$75,000 Debt Service Fund (Liberty Elementary School addition). Instruction services represent 58.51% of the total expenditures and support services 37.14%. In 2016-2017 instruction services represented 58.48% and support services 38.82%.

The General Fund Budget includes the addition of a K-3 Behavior Program (1.5 FTE teacher and 1.0 FTE educational assistant) at South Prairie Elementary to address the District's ongoing and increased demand for behavior intervention. Other additions included a 0.5 FTE teaching position, 0.5 FTE district wide Math Instructional Coach and three 0.5 FTE special education assistants. Prudent and conservative fiscal management, and increased ADM over the last few years has resulted in a General Fund balance of approximately \$4,200,000. Without this reserve, the District would not be in a position to add new programs, and would need to make cuts at this level of State School Funding. As mentioned above, this budget is built with a plan to use \$627,515 of its funds in reserve. Of this amount, \$447,123 represents the cost of the additional positions/programs added to the budget and \$180,392 represents the cost of positions saved by the use of reserve funds, which is equivalent to saving about 2.5 FTE teaching positions. Because of the uncertain nature of future funding levels, use of the General Fund Reserve is closely monitored as it is the District's safety net to lessen the impact of future funding deficits.

Two other increases to the General Fund worth noting include an estimated 12% increase in medical insurance premiums and an increase in the PERS Tier 1/Tier 2 rates, which went from .53% to 5.55%. PERS rates are re-amortized every two years. In 2003, the District took advantage of the OSBA Pension Bond that allowed for a lump-sum payment to prepay part or all of the its pension unfunded actuarial liability (UAL). This is called a side account and it has drastically reduced the District's rate since 2003. The primary advantage of the side account is borrowing at a low interest rate and then offsetting the UAL obligation that is accruing at a higher rate. Currently, the relief provided by the side account is around 8.15%.

Special Revenue Funds (pages 37-83) are restricted for a stated purpose. These may be the result of education grants through the Federal and State governments, private donations that are to be used for a specific activity, or programs that are clearly identified as special purpose like Food Service, Trask River High School (YCEP Program) and Student Body Funds. Total appropriations are **\$6,804,292**, and includes three new funds related to recent legislative action. Fund 229 (pg. 54) ELL HB 3499 provides funding for the transformation of the District's English Language Learners program. Fund 244 (pg. 62) Outdoor School accounts for the funding under Senate Bill 439 to assist schools in providing Outdoor School. Fund 298 (pg. 81) Measure 98 accounts for funding to increase high school graduation rates under a ballot initiative that passed in the November election. Measure 98 addresses three specific areas: career technical education (CTE), college-level educational opportunities, and dropout prevention.

Debt Service Funds (pages 84-86) account for the accumulation of resources and the payment of a general obligation bond, a limited tax pension bond, and a note payable for the addition of classrooms at Liberty Elementary. As of July 1, 2017 the District's total long-term outstanding liability is **\$16,909,239**. This will be reduced by \$1,392,576 in principal payments in the 2017-2018 school year. On May 16, 2017 the District passed a General Obligation Bond for safety and facility improvements in the amount of \$4,000,000. As of July 1, 2017 this debt was authorized but not incurred.

Capital Project Funds (pages 87-93) account for financial resources used to acquire, construct or replace/repair major capital facilities, technology hardware, equipment, vehicles and school buses. Total appropriated expenditures for capital improvements

amount to **\$7,521,050**. This includes \$4,000,000 (Fund 460, pg.92) in appropriations for the General Obligation Bond mentioned above, and \$1,932,090 (Fund 461, pg.93) for a state matching grant the District received upon the passing of the Bond.

Internal Service Fund (pg. 94) is the District's Group HRA Insurance Fund. Due to the long-term trend in increased medical insurance premiums, higher deductibles, higher max out-of-pocket limits, and the impact of the Affordable Care Act, the District created a long-term strategy as a means to reduce and/or minimize the escalating medical costs for both the District and its employees beginning with the 2014-2015 school year. A Group HRA was created as part of this strategy. The District offers a lower premium, high deductible, high max out-of-pocket medical plan for all qualified staff. A Group HRA is utilized to reduce the deductible and the max out-of-pocket for each insured employee and their dependents. As long as the fund balance in the Group HRA is sufficient (per the terms of the Certified Negotiated Agreement), excess funds are to be used to decrease or eliminate employee premium costs. A transfer from the HRA Fund 601 to the General Fund of \$450,000 has been budgeted to help cover employee premium costs in 2017-2018.

Trust and Agency Fund (pg. 95) is the Charity Drive Endowment Fund. These are funds in excess of current needs and are held in trust for future use as determined by the District and the Charity Drive committee.

Total 2017-2018 Budget for all funds includes **\$40,432,530** in appropriations, **\$4,858,440** in unappropriated/reserves. Total budget **\$45,290,970**.

The District's goal is to strive for a balance between being good conservative stewards of the District funds and providing the best possible education for our students as per the District's mission. The mission of the Tillamook School District is to prepare our students with academic, artistic, and social skills necessary to become positive contributors to a changing world.

Shannon Farrier
Finance Director
Budget Officer

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