



**Finance Advisory Committee**

October 15, 2015, 4:00-5:30 p.m.

Coe Building Conference Room 3, 1011 Eugene St., Hood River, OR

Finance Advisory Committee Members

Dan Goldman, Superintendent	Sheri Holloway, OSEA
Saundra Buchanan, Chief Financial Officer	Mikka Irusta, HREA
Kelly Beard, Principal, May Street ES	Rich Polkinghorn, Principal HRVHS
Jake Bolland, Community Member	Dr. David Russo, Board Member
Patricia Ortega-Cooper, Vice Principal, Wy'East MS	Heather Staten, Community Member
Julia Garcia-Ramirez, Board Member	

Start Time: 4:10 p.m.                      End Time: 5:35 p.m.

Absent: Heather Staten

1. Welcome and Call to Order (Dan Goldman/Saundra Buchanan)
  
2. Reports & Discussions
  - State School Fund Presentation (SB)
  - Summary of Revenue and Expenditures Preliminary Year-end June 30, 2015 (SB)
  - Budget Preparation Calendar (SB)
  - Final 14-15 audit fieldwork scheduled for October 26-28 (SB)
  - What information would the committee like reported to the Board?
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3. Schedule of Meeting Dates - For fiscal year 2015-16, the committee will meet bimonthly or as needed, except no meetings will be held in May or June 2016, in the Coe Building Conference Room 3. Proposed dates are listed below.
  - October 15, 2015 First meeting for 2015-16 from 4:00 to 5:30 p.m.
  - December 16, 2015 from 4:00 to 5:30 p.m.
  - February 17, 2016 from 4:00 to 5:30 p.m.
  - April 20, 2016 from 4:00 to 5:30 p.m.

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The financial report, Summary of Revenue and Expenditures Preliminary Year End June 30, 2015, is organized by fund and function with budget variances for the fiscal year 2014-15 and includes actual beginning and preliminary ending fund balances.

## **2014-15**

### **General Fund.**

Pages 1-5 of the Summary of Revenue and Expenditures – Preliminary Year End June 30, 2015 provide year-to-date General Fund financial data in a similar format as the budget document.

The first report view on pages 1-2:

- summarizes General Fund operating revenues and groups revenue into State School Fund Formula Resources, Local Option Revenues, Education Service District Revenues and other local, state and federal revenues;
- summarizes expenditures or operating requirements by function category;
- includes a section of other financing sources and uses; and
- shows a net change in fund balance, beginning and ending fund balance.

The next report view on pages 3-5 provides expenditures by object classification.

### **General Fund Operating Revenue Variances (page 1)**

**State School Fund Formula Resources.** With enrollment higher than originally budgeted, the District expected to receive more revenue from the state school fund in 2014-15 based on estimates submitted to the State and actual state school fund resources. Current estimates of total state school fund formula revenues are \$36,145,405 which is \$787,232 or 2% greater than the budget. The estimates of state school fund resources include local property taxes and payments in lieu of taxes, county school funds, common school funds and Federal forest fees.

- R1111 Current Year Taxes – Estimates for the 14-15 year were based on receiving 95% of the \$9,654,860 operating tax levy. Total property taxes of \$9,199,211 provided a positive variance of \$174,211 or 2%.
- R1112 Prior Year Taxes, R1113 County Sales Back Taxes & R1114 Payments in Lieu of Taxes – Current positive variances are \$45,761, \$58,714 & \$26,518, respectively. Any receipts for prior year taxes and related payments are included in the state school fund formula resources.
- R3103 Common School Fund – The Common School Fund revenue of \$360,038 provided a 4% positive variance.

- R4801 Federal Forest Fees – Per ODE, no Federal forest fees were budgeted for 14-15, however, \$199,040 was received. All receipts from this federal source are included in the state school fund formula resources.

**Local Option Revenues.** Revenues are from two sources, the local option levy of \$1.25 per thousand of TAV and from the State local option equalization grant.

- R1121-1122 Local Option Tax – Based on the current year levy of \$1,969,465 and estimated collection rate of 95% and prior years' tax, we estimated collecting \$120,000 more than the budget. Actual receipts of local option revenue were \$135,899 or 8% greater than budget. Prior year taxes provided an unfavorable variance of \$591 or 1% less than the budget.
- R3120 Local Option Equalization – The local option equalization revenue from the State of \$559,733 is \$36,746 or 7% greater than the prior year and the current year budget.

**Educational Service District Revenues.** Columbia Gorge ESD revenues are comprised of flow-through funds and services invoiced to the CGESD per the approved local service plan. These two components provided resources of \$1,409,728 which was \$104,824 or 8% more than the budget. Of that favorable variance, \$55,896 is for desktop support and related technology services greater than originally budgeted for invoiced services and \$48,928 is for flow-through funds. This revenue is dependent on the state school fund formula estimates for ESDs.

**Other Local Revenues.** Other local revenue of \$545,308 provided a positive variance of \$12,808 or 2% more than the budget of \$532,500. Listed below are a few variances in other local revenue.

- R1321 Tuition from Individuals – The total of \$4,578 is \$15,422 less than budget.
- R1411 Transportation Fees – Transportation fees provided \$72,662 in a favorable variance since the budget was not segregated from the general expenditure reimbursement budget.
- R1960 Expenditure Reimbursement – Reimbursements vary from year to year and totaled \$37,854 which is \$52,146 less than the budget.
- R1966 E-Rate Recovery – The amount of E-rate Recovery is \$119,821 and is \$9,821 of 9% more than the budget of \$110,000.
- R1980 Grant Indirect Charges – Grant indirect charges of \$118,065 were \$58,065 more than the budget and reflect the level of grant activity.
- R1990 Miscellaneous Revenue – Miscellaneous revenues totaled \$36,386 which was \$63,614 less than the budget.
- R1991 Medicaid Admin Revenue – Medicaid administrative claiming revenue of \$33,377 is \$16,623 less than the budget. This revenue is dependent on the level of Medicaid activity.

**Other State Revenues.** The other state revenue of \$308,962 is the total of the long term care and treatment contract revenue R3205 for 14-15 with no budget variance.

**Other Federal Revenues.** The other federal revenue budget of \$20,000 is for the teen parenting revenue estimated to be received. The actual amount of \$9,750 is based on children served in the child care program for teen parents and changes depending on service levels.

**Total Operating Requirements.** The total operating requirements budget shown on page 2 is \$40,508,296 with preliminary year-end total of \$38,500,987 and encumbrance of \$29,368 is \$1,977,941 or 5% less than the budget. Instruction expenditures were \$615,544 or 2% less than the budget. Support services expenditures were \$1,112,396 or 7% less than the budget. The contingency budget of \$250,000 was restored by the Board in April and became an addition to ending fund balance on June 30, 2015.

**Variance Analysis.** In reviewing General Fund expenditures by object classification on page 3-5, a high level view of variances show that in categories where there is more discretion in spending, there were greater savings. The most significant variances are listed below.

- Salaries were 97% expended and accounted for \$658,373 or 3% favorable variance.
  - Classified salaries accounted for \$156,587 in savings due position vacancies in custodial, maintenance, transportation and instructional assistants.
  - Administrator salaries accounted for \$48,550 in savings due to the I.D.E.A. Grant covering more FTE of the special education administrator.
  - Substitute licensed pay accounted for \$129,653 of savings resulting from less subs due to the Collaboration Grant and other less need for subs.
  - Substitute classified pay accounted for \$119,265 of savings. The difficulty of filling some categories of sub positions contributed to this savings.
  - Other pay accounted for \$91,218 of savings. The licensed contract provision to allow carryover of licensed staff comp days contributed to this savings.
- Associated payroll costs were 96% expended and accounted for \$575,959 or 4% favorable variance.
  - Health insurance accounted for \$281,032 or 5% savings.
  - Other significant savings were from PERS, FICA and workers compensation premium.
- Purchased Services were 88% expended and accounted for \$362,477 or 12% favorable variance.
  - Heating fuel accounted for \$95,440 of savings due to a milder winter and lower fuel prices.
  - Telephone and other communication services accounted for \$36,477 of savings.
  - Other purchased services accounted for \$100,712 of savings. Of that variance, the Physical Disabled Program savings is \$44,840 and the Board of Education savings is \$52,694.

- Supplies and materials were 94% expended and accounted for \$120,653 or 94% favorable variance.
  - Vehicle fuel accounted for \$70,660 of savings due to lower fuel prices and school bus route changes
  - Supplies accounted for \$36,287 of savings from many District functions
- Capital outlay was 100% expended with no variance.
- Other goods and services were 98% expended and accounted for \$10,441 or 2% favorable variance.
  - Property insurance accounted for \$7,868 in savings.
  - Taxes, licenses and assessments accounted for \$4,690 of savings.
  - Dues and fees exceeded the budget by \$2,118.
- Transfers to other funds were made as planned with no variance.
- Remaining contingency funds were \$250,000 of the favorable variance.

**General Fund Ending Fund Balance.** The District began the year with \$2,480,277 in beginning fund balance and when combined with the operating revenues of \$40,914,195, operating requirements of \$38,500,987, and other financing uses of \$212,683, equal an ending fund balance of \$4,680,801. As compared to the 2015-16 adopted budget for the General Fund beginning fund balance of \$2,732,956, the District has a positive variance of \$1,947,845.

**Current and Future Outlook.** As we look to the current 2015-17 biennium and the following 2017-19 biennium, we know that PERS rates are expected to rise but the rates are yet to be determined as well as the District's pension bonds liability. Other impacts we must plan for include effects of the Affordable Care Act, which will continue to increase the District's employee benefit costs. Current enrollment increases require more resources to address staffing for student success. The level of Oregon funding of the State School Fund for the current biennium is inadequate in comparison with other states. Administration will prepare recommendations for addressing these cost issues and for opportunities to expand and improve school programs; and bring them to the Board for consideration.

## **2014-15**

**Other Funds.** All other funds are shown beginning on pages 6 through 16. Grant Funds 220-299 and the Capital Construction Funds 400-403 are grouped and summarized for this report. The 2014-15 beginning fund balances reflect the prior year audited ending fund balances.

**Fund 200 Food Service** – The Nutrition Services program revenue of \$1,733,043 and beginning fund balance of \$603,257 provided resources totaling \$2,336,300. Program expenditures

totaled \$1,763,586 leaving an ending fund balance of \$572,714. The program operated within its \$2,521,757 approved budget appropriation.

**Fund 204 Student Body Funds** – Student Body activity is recorded at year-end, with revenue of \$1,040,989 and expenditures of \$1,020,326. The ending fund balance of \$574,404 is the total available in all student body funds.

**Fund 205 Community Education** – The community education program activity reflects a beginning fund balance of \$50,772, revenue of \$930,870, expenses of \$877,831, with an ending fund balance of \$103,811. An encumbrance of \$1,697 is pending reconciliation. A community education report/business plan was presented to the Board in March 2015.

**Fund 210 Unemployment Reserve** – The Unemployment Reserve Fund beginning fund balance of \$66,169 and General Fund interfund transfers provides resources to pay for expenditure activity of the District's Local Government Benefit Trust Fund and the quarterly unemployment premiums. Since the State Unemployment Trust balance has not been received, final adjustments to expense are pending.

**Fund 212 Bus Replacement Fund** – As of June 30, the Bus Replacement Fund reflects the budgeted transfer of \$150,000 for bus depreciation, the receipt of \$3,987 from the sale of equipment and expenditures of \$120,695 for the principal payment for the bus purchased during 13-14 leaving an ending fund balance of \$41,549.

**Funds 220-299 Grant Funds** – Since reconciliation of 2014-15 grants is ongoing, the Grant Funds report has been excluded.

**Fund 300 Debt Service** – The Debt Service Fund has a beginning fund balance of \$325,436 which is \$201,791 greater than the budget of \$123,645. Property tax revenues provided \$734,801 which was \$150,596 or 4% greater than the budget. The positive variance in beginning fund balance and property tax revenue will be used to offset future years' property tax levies. Expenditures include the semi-annual interest payments of general obligation bonds and the annual principal payments in June.

**Funds 4XX Capital Construction Funds** – The summary of all capital construction funds shows a beginning fund balance of \$1,443,959, of which \$130,288 is designated for energy projects as approved by the Oregon Department of Energy with the remainder available for ongoing or future capital improvements. The following capital projects funds are included in this month's report on pages 12-16.

- Fund 400 Capital Construction Bond Funds balance is \$118,870 for remaining projects with the balance encumbered in 15-16.
- Fund 401 Construction Excise Tax Fund resources include receipts of \$214,486 and a beginning fund balance of \$449,531, totaling \$664,016 to provide funds for future development and for the facilities planning process and development of the long range

facilities plan. Resources are dependent on the amount school construction excise tax received by the District and will fluctuate on construction activity.

- Fund 402 Energy Projects Fund accounts for the District's SB 1149 resources and expenditures through June 30, 2015 with an account balance of \$201,773.62. Of that balance, \$8 was the remaining funds from the receipt and expenditure of a Pacific Power Blue Sky Award of \$36,744 and an Oregon Dept. of Energy grant of \$21,708 for a solar energy project in the amount of \$58,444 for the Hood River Valley High School completed in 2014-15. Receipts from PacifiCorp were \$67,677.97. Receipts from the Energy Trust for steam traps were \$3,800. There were no other expenses for the year. Since facilities management expenses may be unallowable in this fund, the expenses were recoded to the General Fund.
- Fund 403 Property Fund is budgeted to provide resources to cover the future construction costs of the District's requirement to provide the street extension to the District's undeveloped property estimated to be \$334,600 from the current beginning fund balance of \$735,568.

**Summary of Inter-fund Transfers** – A summary of inter-fund transfers is shown on page 17. Transfers include the budgeted transfer from General Fund to the Bus Replacement Fund in the amount of \$150,000 and the budgeted transfer to the Unemployment Fund in the amount of \$65,000. The budgeted transfer within the Grants Fund was not needed during the year.