



**Finance Advisory and Bond Oversight Committee**

December 14, 2017, 4:00-5:30 p.m.

Hood River Middle School, Media Center, 1602 May Street, Hood River, OR 97031

Start Time: 4:00 pm End Time: 5:30 pm

Committee Members present: Dan Goldman, Saundra Buchanan, Kelly Beard, Rich Polkinghorn, Nancy Rowley, Chrissy Reitz, Liz Whitmore, Michael McElwee, and David Russo.

Committee Members not present: Julia Garcia-Ramirez, Patricia Ortega-Cooper, Rich Truax, and Mikka Irusta.

Guest: Nathan Smith

Superintendent Dan Goldman welcomed committee members to the meeting

Chief Financial Officer Saundra Buchanan presented the Financial Report as of Nov. 30, 2017:

### **Audit Status**

The District's independent auditors, Pauly Rogers and Co., P.C., completed their onsite fieldwork October 25-27. District staff have compiled the required ten years of statistical data and required reports so that the District can issue its Comprehensive Annual Financial Report for the year ended June 30, 2017. The final report is being assembled by our auditor for filing by the State's January 2, 2018, deadline. Tara Kamp, C.P.A., will discuss the audit results with the Finance Advisory and Bond Oversight Committee on January 18. She is also scheduled to present the results to the District's Board of Directors on January 31.

### **Financial Report**

The financial report, Summary of Revenue and Expenditures as of November 30, 2017, is organized by fund and function with budget variances for the current fiscal year to date and includes actuals for two prior years. For 2016-17, the data represents final audited financial data. For 2017-18, the report includes the adopted budget and the current budget as amended. Encumbrances and actuals follow in the next two columns with variances and percent of budget.

**General Fund.** The Summary of Revenue and Expenditures as of November 30, 2017 provides year-to-date financial data as follows.

- 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.

### **General Fund Summary**

**Total Operating Revenue.** For 17-18, total operating revenue is \$26,959,422 as of November 30, and represents 58% of the budget. Of the total, \$24,337,964 is from State School Fund formula revenues. In November, the District received the first 17-18 property taxes from the permanent levy and local option levy. Revenue from the CGESD local service plan is expected in December.

**Total General Fund Operating Requirements.** The total operating requirements budget is \$47,904,655. Current encumbrances are \$26,812,101 and year-to-date expenditures are \$12,476,579. We have encumbered or expensed 82% of the budget to date.

Instruction expenditures and encumbrances are 90% of the \$29,183,732 budget. Support Services expenditures and encumbrances are 72% of the \$18,104,655 budget. Year to date Debt Service payments are 8% of the \$262,120 budget. The Contingency balance is \$354,148 of the \$457,000 adopted budget.

The approved supplemental budget included an increase of \$1,000,000 to the Biennial Reserve Fund in part to set aside State School Fund revenue to smooth the distribution of resources from the approved 50%/50% distribution to the normal 49%/51% distribution in the amount of \$814,474 per the most recent SSF estimate and to set aside resources for PERS rate increases.

**General Fund Balance.** The District began the year with \$7,975,592 in beginning fund balance which is an increase of \$911,255 over the adopted budget beginning fund balance. Per the budget, we have transferred \$2,763,235 of this balance to the Biennial Reserve Fund for future PERS costs. Through an approved supplemental budget, the budget has been adjusted to reflect the actual beginning fund balance.

## Other Funds

**Other Funds.** All other funds are shown with year-to-date activity through November 30, 2017. Grant Funds 220-299 and the Capital Construction Funds 400-404 are grouped and summarized for this report. The 2017-18 beginning fund balances reflect the prior year ending fund balances.

**Fund 200 Food Service** – Resources from local, state and federal sources estimated to be \$1,731,385 and beginning fund balance of \$427,723 support operations of nutrition services. The program is expected to operate within its budget.

**Fund 204 Student Body Funds** – The beginning fund balance of \$663,570 is the total available in all student body funds as shown below.

<b>Student Body Funds</b>	<b>Beginning Fund Balances</b>
Elementary Schools	\$125,808
Middle Schools	201,912
High School	335,850
Total	\$663,570

**Fund 205 Community Education** – The community education program activity reflects a beginning fund balance of \$171,534, year to date revenue of \$322,305, expenses of \$457,986, with a current ending fund balance of \$35,853.

**Fund 207 Biennial Reserve Fund** – The beginning fund balance is from the District's transfer of \$1,752,011 to establish the fund to set aside funds for state school fund distribution in the second year of the biennium and to set aside funds for upcoming PERS rate increases, as approved by the Board. The budgeted transfer in of \$3,763,235 was made from a portion of the General Fund beginning fund balance and from State School Fund revenue. The current fund balance is \$4,515,246 and will increase by \$1,000,000 in December as approved by the Board.

**Fund 210 Unemployment Reserve** – The Unemployment Reserve Fund beginning fund balance of \$293,038 and General Fund interfund transfers of \$95,000 provides resources to pay for expenditure activity of the District's Local Government Benefit Trust Fund and the quarterly unemployment premiums.

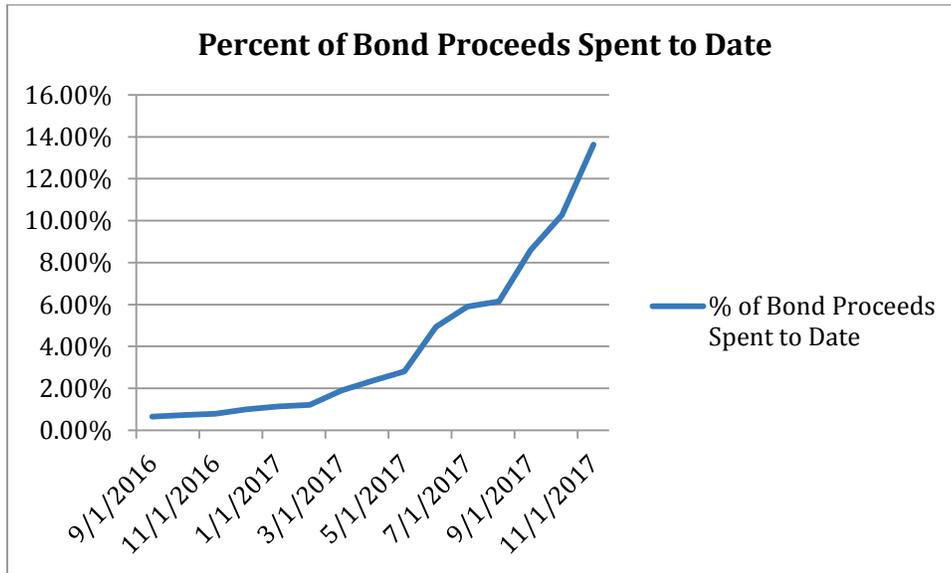
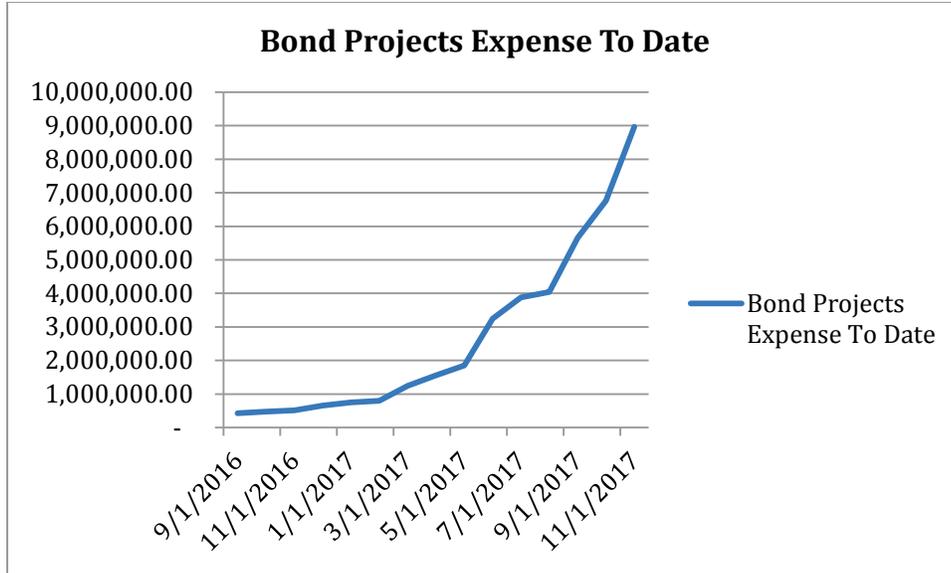
**Fund 212 Bus Replacement Fund** – The Bus Replacement Fund accounts for the budgeted transfer of \$150,000 for estimated bus depreciation, beginning fund balance of \$191,459 and expenditure budget of \$288,437 for school bus purchases.

**Funds 220-299 Grant Funds** – Grant Funds revenue and expenditure activity is within budget appropriations with total year to date revenue of \$758,727 and expenditures of \$1,341,298 and encumbrances of \$2,117,358. The ending fund balance of \$4,866 is restricted for various contract or grant purposes. An attached supplementary report lists 2017-18 contracts, Federal and State ODE grants by award and shows amounts claimed, expended and the balance to be spent. A second supplementary report shows all other contributions and grant accounts listing the title and administrator or person responsible for managing the funds.

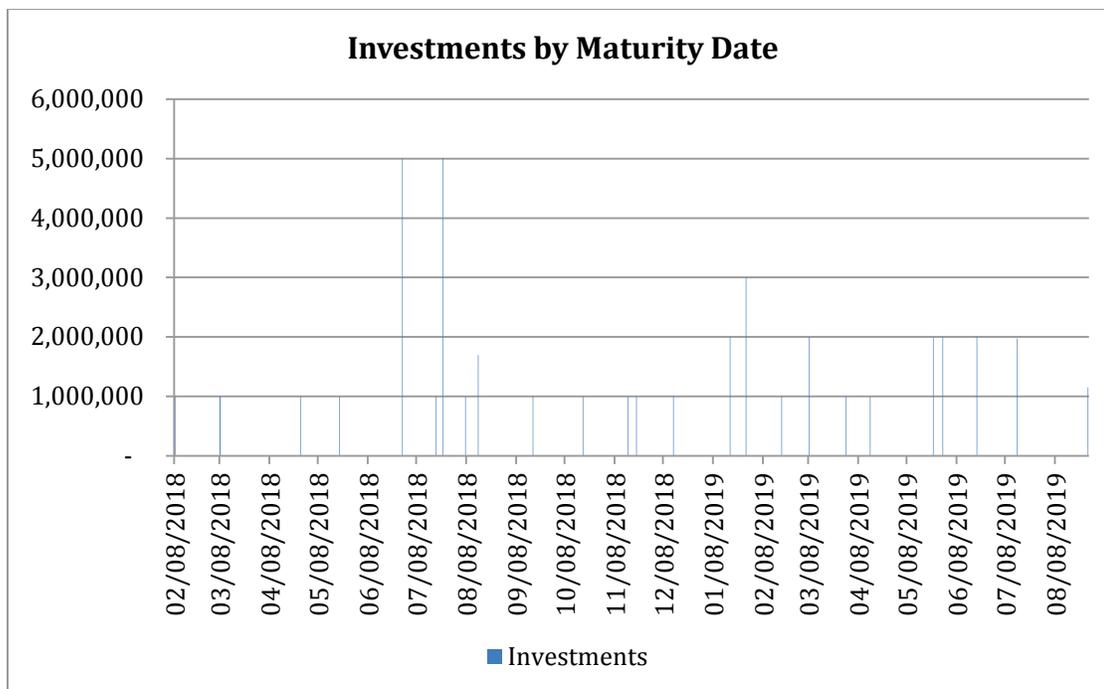
**Fund 300 Debt Service** – The Debt Service Fund beginning fund balance for 17-18 is \$229,546. For 17-18, total year-to-date revenue of \$3,698,834 is from current and prior years' property tax revenue. Beginning fund balance and property tax revenue are both used to offset property tax levies. Budgeted expenditures of \$4,171,950 include the semi-annual interest payments of general obligation bonds and the annual principal payments in June. The semi-annual interest payment of \$1,250,975 was made at the end of November to meet the December 1 due date.

**Funds 4XX Capital Construction Funds** – The summary of all capital construction funds shows a beginning fund balance of \$65,235,997, total revenue to date of \$2,477,816 and total expenditures of \$7,962,626.

- Fund 400 Capital Construction Bond Fund resources include the balance of proceeds of the 2016 G.O. Bonds, investment earnings and other revenue. The District must spend 85% of the 2016 bond proceeds by the end of 36 months from the bond sale closing date of September 13, 2016. A total of \$3,244,594 was spent in 16-17. In 17-18, year to date expenditures total \$5,716,391. For the overall project to date, the District has spent \$8,960,984 equal to 13.6% of bond proceeds to support capital construction and improvements as shown in the following charts. Capital projects schedules support meeting the 85% spending within 36 months requirement.



As of November 30, 2017, the fair value of cash in the Oregon State Treasurer’s Local Government Investment Pool is \$12,667,627 and cash in the amount of \$1,785,536 is in insured deposits. The fair value of investments in U.S. Government and U.S. Agency securities is \$42,827,557, with varying yields and maturities dated through August 28, 2019, as shown on the attached investment report and the following chart.



- Fund 401 Construction Excise Tax Fund resources include receipts of \$96,716 and a beginning fund balance of \$1,350,921 for future development. Resources are dependent on the amount of school construction excise tax received by the District and will vary depending on the level of construction activity within the county.
- Fund 402 Energy Projects Fund accounts for the District’s SB 1149 resources and expenditures to date with an account balance of \$366,607. The current balance of these funds are for reimbursements to the District for past energy projects and will be transferred out of this fund to fund current capital improvements. Our project management team is working with the Oregon Department of Energy regarding future qualifying energy projects related to the bond program.
- 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 approximately half of the fund balance of \$735,568.
- Fund 404 Seismic Projects Fund is budgeted in 17-18 to account for the state seismic projects grants in the amount of \$898,400 for Hood River Middle School (HRMS) and in the amount of \$1,335,500 for Wy’east Middle School which is scheduled to begin in 17-18. A total of \$88,092 was expended in 16-17 for the HRMS seismic rehab project. For 17-18, year-to-date grant award expenditures total \$9,080.
- Fund 405 accounts for the Oregon Schools Capital Improvement Matching Program grant award of \$4,499,478. A total of \$1,089,559 was expended in 2016-17. For 17-18, year to

date grant expenditures total \$2,237,155. Project to date expenditures are \$3,326,714 equal to 74% of the grant award. This grant is designated for capital improvements at Hood River Middle School.

**Summary of Inter-fund Transfers** –Transfers for the year include the budgeted transfer from General Fund to the Biennial Reserve Fund in the amount of \$2,763,235; the Bus Replacement Fund in the amount of \$150,000; the budgeted transfer to the Unemployment Fund in the amount of \$95,000; and a transfer to the Grants fund of \$25,735.

### PERS Rates Update

The 2019-21 Public Employee Retirement System (PERS) Advisory employer contribution rates issued December 2017 project significant increases in the District’s employer contribution rates, as shown below, demonstrating the need for reserves to address future increases in the District’s payroll costs.

#### Hood River County School District Current PERS and Advisory Net Employer Contribution Rates

Employee Membership Tier	2017-19 Current Rate	2019-21 Advisory Rate	Change to Contribution Rate	Percentage Increase
Tier 1/Tier 2	16.03%	22.57%	6.54%	40.8%
OPSRP	10.70%	16.95%	6.25%	58.4%

The following chart provides a historical look at the District’s PERS employer contribution rates and the advisory rates for the 2019-21 biennium. Taking into account 2017 returns (12.52% through October), even with 9 percent consistent returns going forward, system average employer contribution rates will increase for the next two biennia before beginning to decline.

**District PERS Rates as a percent of Salary**

