



March 14, 2018

To: Finance Advisory & Bond Oversight Committee
From: Saundra Buchanan, Chief Financial Officer
Re: Financial Report as of February 28, 2018

Financial Report as of February 28, 2018

The financial report, Summary of Revenue and Expenditures as of February 28, 2018, 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 year-to-date actuals follow in the next two columns with variances and percent of budget. The last two columns are estimated variances and projected year-end totals for General Fund and other selected funds.

General Fund. The Summary of Revenue and Expenditures as of February 28, 2018, provides year-to-date financial data as follows.

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 page 3 provides expenditures summarized by object classification.

General Fund Summary

Total Operating Revenue. For 17-18, total operating revenue is \$35,929,767 as of February 28, and represents 78% of the budget, as shown on page 1.

State School Fund Revenues. Of the total, \$32,233,870 is from State School Fund formula revenue. The projected year-end State School Fund (SSF) formula revenue of \$41,082,590 is based on the March 1 SSF estimate and is estimated to result in a positive variance of \$481,254. ODE will continue to update the SSF formula revenue estimates through May so the projected variance will change again. The District began receiving current year property taxes from the permanent levy in November and 93% of the amount budgeted has been received to date. Common School Fund revenue is distributed in two payments, February and the following August for the current fiscal year.

Other Operating Revenues. Local option levy property taxes receipts are 93% of the amount budgeted for the current year and are projected to provide resources of \$2,315,455 to support school programs. The Local Option Equalization grant is generally distributed in April – the District has not received notification of the grant amount for 17-18. Revenue from the CGESD local service plan reflects local service plan revenue through January with a projected positive variance of \$27,398. Other state revenue pending is from the state long term care and treatment contract. Other federal revenue pending is from the teen parenting contract based on actual services performed. No other significant variances are projected.

Total General Fund Operating Requirements. The total operating requirements budget shown on page 2 is \$47,904,655. Current encumbrances are \$17,723,328 and year-to-date expenditures are \$23,308,403. We have encumbered or expensed 86% of the budget to date.

Instruction expenditures and encumbrances are 92% of the \$29,183,982 budget. Support Services expenditures and encumbrances are 76% of the \$18,104,405 budget. Year to date Debt Service interest payments are 8% of the \$262,120 budget with final payments due in June. The Contingency balance is \$354,148 of the \$457,000 adopted budget. Projected expenditure variances total \$1,524,473 from these objects: \$232,079 of salaries, \$638,540 of associated payroll costs, \$289,854 of purchased services. \$14,000 of supplies, and \$350,000 of unspent contingency.

The supplemental budget approved in December 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. This increased the total of transfers out to \$4,033,971.

Encumbrances and expenditures to date by object classification are shown on pages 3-5.

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 \$3,763,236 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. The projected ending fund balance of \$4,250,109 is 9% of projected operating revenue and is one percent higher than the Board’s goal of 8%.

Other Funds

Other Funds. All other funds are shown beginning on pages 6 through 21 with year-to-date activity through February 28, 2018. 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 audited 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.

Student Body Funds	Beginning Fund Balances
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 \$553,205, expenses of \$708,896, with a current ending fund balance of \$15,843. It is expected that the fund balance will be positive as revenues are received.

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 \$3,763,236 was made from a portion of the General Fund beginning fund balance and from State School Fund revenue. The current fund balance is \$5,515,247.

Fund 210 Unemployment Reserve – The Unemployment Reserve Fund beginning fund balance of \$293,482 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

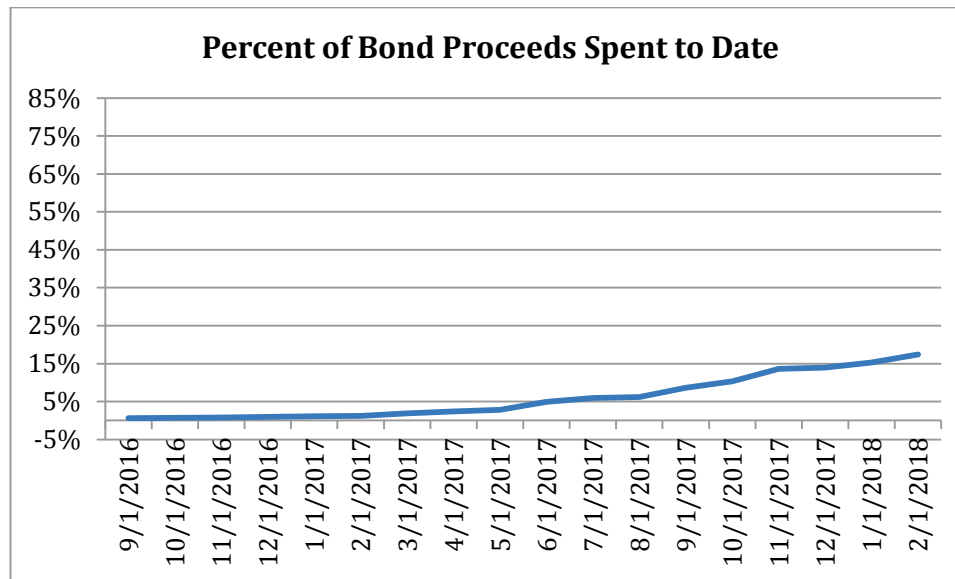
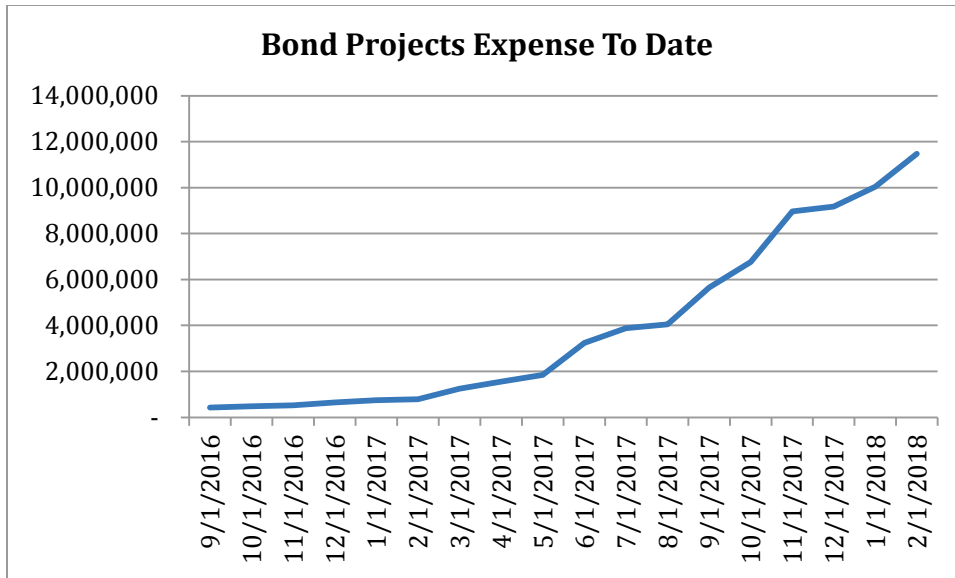
expenditure budget of \$288,437 for school bus purchases. Two school buses were purchased this year for a total of \$246,392 leaving an ending fund balance of \$95,067 to be carried forward to fiscal year 2018-19.

Funds 220-299 Grant Funds – Grant Funds revenue and expenditure activity is within budget appropriations with total year to date revenue of \$1,573,963 and expenditures of \$2,346,010 and encumbrances of \$1,393,325. The ending fund balance is restricted for various contract or grant purposes. The current ending balance is (\$184,611) due to grant and contract reimbursements following expenses. 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.

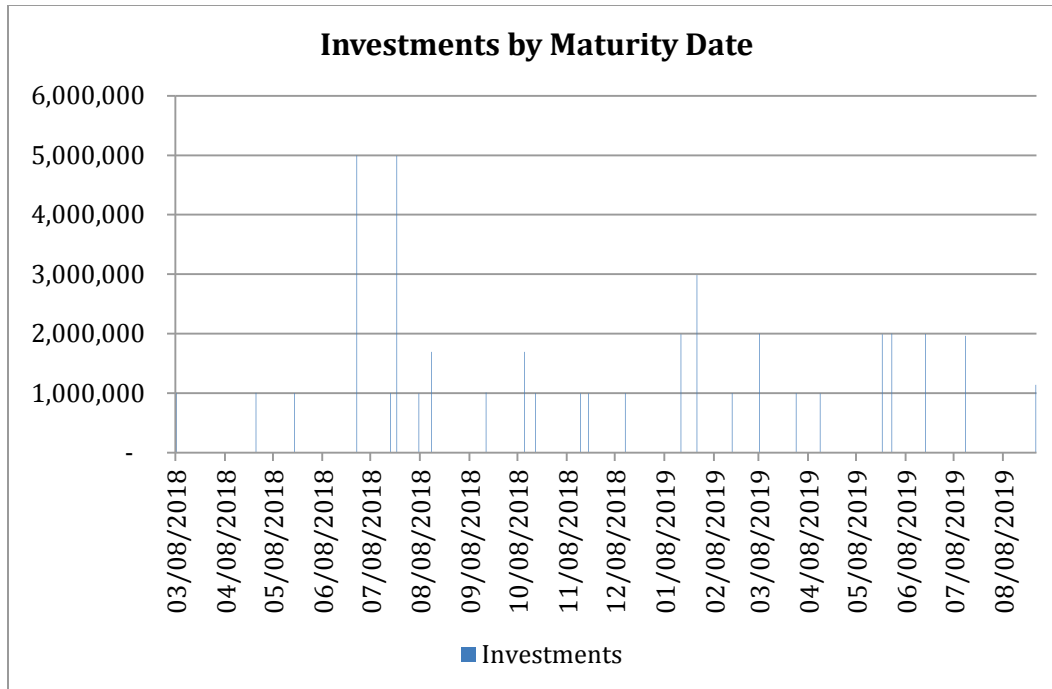
Fund 300 Debt Service – The Debt Service Fund beginning fund balance for 17-18 is \$229,546. For 17-18, total year-to-date revenue of \$3,837,278 is from current and prior years' property tax revenue. Beginning fund balance and property tax revenue are both used to offset property tax levies. Budgeted 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 met 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 \$2,887,437 and total expenditures of \$11,165,497. The capital projects funds are reported on pages 15-21.

- 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 \$8,230,385. For the overall project to date, the District has spent \$11,474,979 equal to 17.45% 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 January 31, 2018, the fair value of cash in the Oregon State Treasurer’s Local Government Investment Pool is \$11,836,204. The fair value of investments in U.S. Government and U.S. Agency securities is \$43,421,652, with varying yields and maturities dated through August 28, 2019, as shown on the attached investment report and the following chart. Investments mature across the capital projects schedule to provide liquidity to pay capital project expenditures.



- Fund 401 Construction Excise Tax Fund resources include receipts of \$160,534 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 \$380,444. 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 \$461,027.
- 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 \$2,474,085. Project to date expenditures are \$3,563,644 equal to 79% of the grant award. This grant is designated for capital improvements at Hood River Middle School.

Summary of Inter-fund Transfers – A summary of inter-fund transfers is shown on page 22. Transfers for the year include the budgeted transfer from General Fund to the Biennial Reserve Fund in the amount of \$3,763,236; 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.

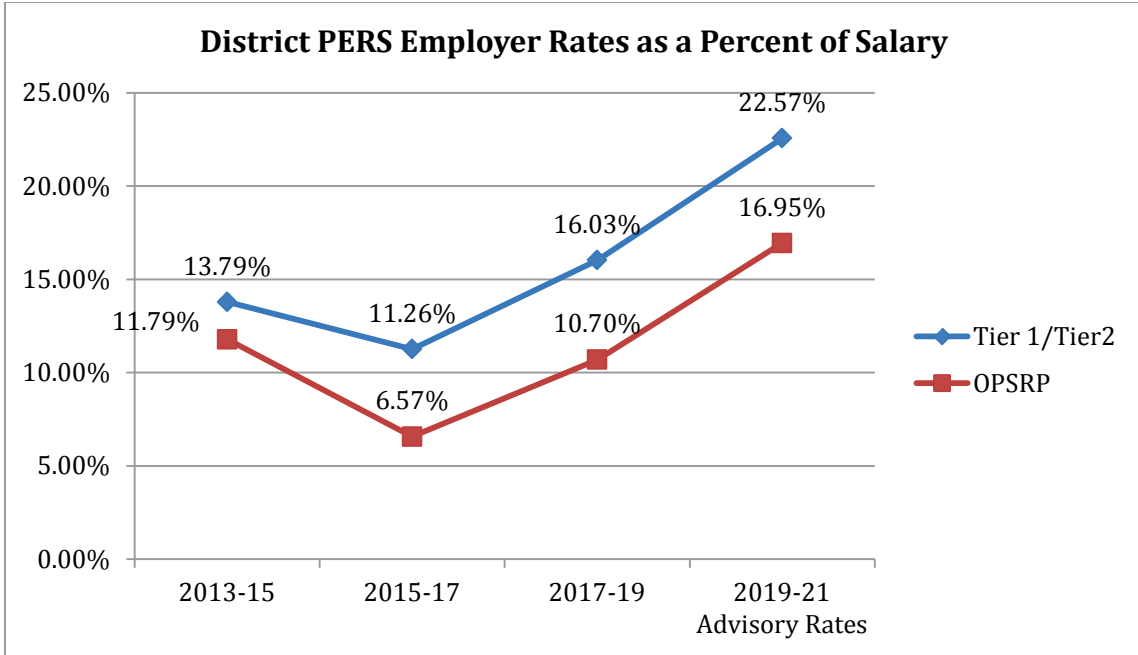
PERS Rates

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. Tier One covers members hired before January 1, 1996; Tier Two covers members hired between January 1, 1996 and August 28, 2003; and OPSRP covers members hired on or after August 29, 2003.

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. The drop in the 2015-17 biennium rates was the result of legislative action which was subsequently overturned by the courts. Savings from these artificially lowered rates provided resources which were transferred into the District’s Biennial Reserve Fund to help with the looming PERS rate increases.



The District's total PERS rate includes the employer contribution rate, pick-up and pension bond rate. The following chart provides historical and advisory rate data of the District's total PERS rate as a percent of salary by member tier.

