DATE: April 10, 2017

TO: Board Members

FROM: Susan Dodd, CFO

RE: Financial Update for the Quarter Ended March 31, 2017

The attached report summarizes updated preliminary financial statements for the General Fund for Oregon City School District for the current 2016-17 year end. For our budget preparation we typically underestimate revenue and overestimate expenses to create a fund balance that meets our Board Policy. As of December, the District’s projected ending fund balance is at $3.1 million, or 4.0% of resources which is consistent with historical fund levels.

Comparison of 2016-17 Third Quarter Projection to the Second Quarter Projection

- **Revenue** – There is a $1.1 million decrease in revenue collection over the prior quarter. The District recently received the adjustment for the State School Fund for the prior year 2015-16. The District’s Average Daily Membership (ADM) was reduced by approximately 45 points due to lower enrollment than forecasted. This affects the funding for 2016-17 as well because the District is receiving state funding based on the 2015-16 ADM. The District received higher property tax income than forecasted for 2015-16 which also reduced our allotted amount of state funding. The Oregon Department of Education will be updating all Districts’ prior and current year funding again in the next few weeks; so there will be further adjustments to revenue. Revenue could be higher or lower as the Transportation Grant for 2015-16 and our High Cost Disability grant funding has not been finalized for 2015-16. This revenue forecast is based on conservative estimates.

- **Expenditures** - Expenditures are forecast based on realization rates for prior years and known approved expenditures. Projected salaries and benefits are slightly lower than the prior quarter. Purchased services are up by $2.2 million. Our charter schools are paid at a higher state rate than the District because of increasing enrollments and are categorized as purchased services. The forecast for all other expenses has not changed. Overall projected expenses are under budget by $1.0 million.

- **Summary and Look Ahead** – The District continues to monitor spending closely. Neither the proposed Legislative Budget nor the Governor’s Budget is sufficient to maintain the level of current operations for our District. Our District is faced with severe budget cuts for the upcoming Biennium of 2017-19.
OREGON CITY SCHOOL DISTRICT #62
YTD ACTIVITY AND FORECAST
GENERAL FUND
FOR THE PERIOD ENDED March 31, 2017

($ In millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Prior Year Actuals</th>
<th>Fiscal Year</th>
<th>Fiscal Year</th>
<th>YTD Actuals</th>
<th>Forecast</th>
<th>Notes</th>
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REVENUES:

- **Beginning Fund Balance**: $3.0
- **Other revenue and expenses**:
  - **State Grants**:
    - **State School Fund**:
      - **Property Taxes**: 20.9
      - **County School Fund**: 0.3
      - **Federal Forest Fees**: -
      - **High Cost Disabilities**: 0.4
      - **Total State/Formula Revenue**: 44.5
    - **Exempt Revenue**:
      - **CEN Transfers Payments**: -
      - **Fee Charged and Rental Income**: 1.0
      - **Investments Earnings**: 0.3
      - **Other**: 0.5
      - **Total Exempt Revenue**: 1.9
    - **Total Revenue**: 49.2

EXPENDITURES:

- **Salaries**: 33.2
- **Benefits**: 18.8
- **Purchased Services**: 11.4
- **Supplies & Materials**: 2.0
- **Capital Outlay**: -
- **Other**: 0.4
- **Transfers Out**: 0.1
- **Total Expenditures**: 65.9

**Contingency**:

- **Ending fund balance**: 3.3

NOTES: DIFFERENCE IN CURRENT MONTH FORECAST OVER ORIGINAL BUDGET

(1) State School Funding increase
(2) Slight decrease in the cost of salaries and benefits
(3) Pick-up in charter school enrollment

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<table>
<thead>
<tr>
<th><strong>REPORT OF CHANGES IN FUND BALANCE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Unreserved Undesignated Fund Balance</strong></td>
</tr>
<tr>
<td>$3,500,000</td>
</tr>
<tr>
<td><strong>Resources</strong></td>
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<tr>
<td><strong>Expenditures</strong></td>
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<td><strong>Budgeted Reserve</strong></td>
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<tr>
<td><strong>UNRESERVED FUND BALANCE</strong></td>
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</tbody>
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