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Christy Perry, Superintendent

Date November 13, 2018
TO: Christy Perry, Superintendent
FROM: Michael D. Wolfe, Chief Operations Officer
RE: Financial Update for the Quarter Ended September 30, 2018

Board Policy EL-8, Item 6 sets out a provision for the School Board to receive quarterly financial reports that include a recap of changes between the current and previous report in expenditures, revenue, enrollment and a projected ending fund balance. The information provided in this memo summarizes the highlights of the first quarterly report for the 2018-19 fiscal year.

Prior Year (2017-18) Recap:

The District's audited financial statements are in the process of being finalized and will be presented in the 2017-18 Comprehensive Annual Financial Report (CAFR) in late December. However, preliminary numbers indicate that the General Fund Ending Fund Balance will be approximately \$51.5 million, or 10.74%.

Current Year (2018-19) Outlook:

- **Beginning Fund Balance** – The budgeted beginning fund balance was \$46.0 million, however, the actual (unaudited) is \$51.5 million. The additional \$5.5 million is due to additional revenue in local sources of about \$0.9 million, additional under-spending of about \$2.3 million in personnel and services and supplies, and an under-spending of about \$2.3 million in transfers out in the fiscal year 2017-18. The prior quarterly report projected a \$4.5 million transfers out to the 2018 Bond Capital Projects Fund, however, the actual inter-fund loan amount was only \$2.2 million.
- **Revenue** – The District is forecasting a \$3.9 million increase in General Fund revenues as compared to budget. This increase is comprised of a projected increase in local sources of about \$1.7 million (i.e. interest income), an additional \$1.3 million in intermediate sources, a projected increase in state sources of \$3.2 million based on recent data provided by Oregon Department of Education and the District's estimated High Cost Disability revenue, offset by a decrease in interfund transfers of \$2.3 million. The District budgeted a \$4.5 million transfers in from the 2018 Bond Capital Projects Fund, however, it only needed \$2.2 million to repay the inter-fund loan.
- **Expenditures** – The District is forecasting General Fund under-spending of approximately \$26.3 million. This includes the budgeted contingency of \$21.7 million. The remaining under-spending is comprised of \$4.2 million in staff vacancies and \$0.4 million in supplies and materials, purchased services and capital outlay or about 1% of the budgeted expenditures.
- **Enrollment** – The September enrollment includes 42,133 students compared to 42,082 from last September, an increase of 51 students. The District enrollment continues to increase at a steady pace and is projected to continue for the next few years by Portland State University Population Research Center.

Summary and Look Ahead

The District is projecting a General Fund ending fund balance of \$35.7 million, or 7.12%, for 2018-19. State School Fund (SSF) revenues for this biennium are being paid to Districts 50% in each year. Typically, distributions are 49% and 51% in the first and second year, respectively. This variance in distribution inflated the ending fund balance for the first fiscal year of the biennium and then is expected to deplete in the second fiscal year when expenses rise and revenues are flat. In looking ahead, the District will continue its efforts to contain costs and generate additional savings.

Salem-Keizer Public Schools
General Fund Revenue & Expenditure Projection
Fiscal Year Ending June 30, 2019
Quarter Ended September 30, 2018

	2018-19
State Formula Revenue	\$ 423,010,038
Exempt Revenue	18,260,834
Fund Transfers	4,600,002
Total Revenue	\$ 445,870,874
Beginning Fund Balance	46,000,000
Total Budgeted Resources	\$ 491,870,874
Total Expenditure Budget	\$ 491,870,874
Total Budgeted Resources	\$ 491,870,874
Less: Budgeted Beginning Fund Balance	(46,000,000)
Add: Actual Ending Fund Balance 2017-18*	51,478,033
Total Budgeted Operating Revenue - Prior to Year End	\$ 497,348,907
Year End Revenue Increase (Decrease)	3,912,046
Total Operating Revenue	\$ 501,260,953
<u>Fund Balance Projection</u>	
Actual Beginning Fund Balance*	\$ 51,478,033
Less Budgeted Carryforward - Fund Balance	(46,000,000)
Adjust Increase (Decrease) - Projected Revenue	3,912,046
Adjust Decrease (Increase) - Projected Expenses - Includes Contingency	26,324,536
Projected Ending Fund Balance	\$ 35,714,615

Projected Ending Fund Balance as a Percent of Operating Revenue 7.12%
Administrative Policy ADM-A001 5.1 (5%-7% Targeted Ending Fund Balance)