

Los Gatos Union School District

Unaudited Actuals

Fiscal Year 2016-17

August 21, 2017

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TOPICS FOR DISCUSSION

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- CALENDAR
- FISCAL YEAR 2016-17 UNAUDITED ACTUALS VS ESTIMATED ACTUALS
- MULTI-YEAR PROJECTIONS
- OTHER FUNDS
- QUESTIONS

BUDGET CALENDAR FOR BOARD PLANNING

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- AUGUST 21, 2017 UNAUDITED ACTUALS FOR FISCAL YEAR 2016-17
- SEPTEMBER 2017 AUDIT FIELDWORK
- DECEMBER 11, 2017 AUDITED FINANCIAL STATEMENTS FISCAL YEAR 2016-17
- DECEMBER 11, 2017 FIRST INTERIM BUDGET FOR FISCAL YEAR 2017-18
- JANUARY 2018 GOVERNOR'S PROPOSAL FOR FISCAL YEAR 2018-19
- MARCH 12, 2018 SECOND INTERIM BUDGET FOR FISCAL YEAR 2017-18
- MAY 21, 2018 GOVERNOR'S MAY REVISE FOR FISCAL YEAR 2018-19
- JUNE 13, 2018 BUDGET ADOPTION FOR FISCAL YEAR 2018-19

THE GENERAL FUND (FUND 1)

- ▶ The General Fund is the main operating fund and is used to account for all activities not accounted for in another fund.
- ▶ General fund activities are divided into unrestricted and restricted programs.
 - ▶ **Unrestricted programs** are those funds whose uses are not subject to external or legal constraints and may be used for any purposes not prohibited by law.
 - ▶ **Restricted programs** are those funded from revenue sources subject to constraints imposed by external resource providers or by law through constitutional provisions or enabling legislation. (For example Home and School Clubs, LGEF grants, and Special Education)

UNAUDITED ACTUALS VARIANCES

GENERAL FUND REVENUES (UNRESTRICTED)

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UNRESTRICTED	2016-17 Estimated Actuals	2016-2017 Unaudited Actuals	Increase / (Decrease)	Percentage
BEGINNING FUND BALANCE	\$6,595,782	\$6,595,782	\$0	0.00%
<i>REVENUE</i>				
LCFF Sources/Property Taxes	25,516,057	25,520,769	4,712	0.02%
Federal Revenues				
Other State Revenue	1,275,949	1,275,092	-857	-0.07%
Other Local Revenue	5,038,207	5,072,691	34,484	0.68%
TOTAL REVENUE	\$31,830,213	\$31,868,552	\$38,339	0.12%

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UNAUDITED ACTUALS VARIANCES - HIGHLIGHTS GENERAL FUND REVENUES (UNRESTRICTED)

1. **Other Local Revenue \$34,484**

- ▶ Increase is mainly from interest income

UNAUDITED ACTUALS VARIANCES

GENERAL FUND EXPENDITURES (UNRESTRICTED)

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UNRESTRICTED	2016-17 Estimated Actuals	2016-2017 Unaudited Actuals	Increase / (Decrease)	Percentage
<i>EXPENDITURES</i>				
Certificated Salaries	16,338,953	16,337,486	-1,467	-0.01%
Classified Salaries	3,029,186	3,038,284	9,098	0.30%
Employee Benefits	5,577,896	5,521,784	-56,112	-1.01%
Books and Supplies	618,026	616,983	-1,043	-0.17%
Services, Operating Expenses	2,670,918	2,586,201	-84,717	-3.17%
Capital Outlay	5,000	5,000	0	0.00%
Other Outgo	0	0	0	
Transfers of Indirect Costs	-1,252	-1,213	39	-3.12%
TOTAL EXPENDITURES	\$28,238,727	\$28,104,525	(\$134,202)	-0.48%

UNAUDITED ACTUALS VARIANCES - HIGHLIGHTS GENERAL FUND EXPENDITURES (UNRESTRICTED)

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1. **Employee Benefits \$56,112**

- ▶ The decrease is mainly from Health and Welfare expenses based upon changes in employee selections

2. **Operating Expenses \$84,717**

- ▶ The decrease is mainly from reduced election costs and legal expenses

UNAUDITED ACTUALS VARIANCES
OTHER FINANCING SOURCES (UNRESTRICTED)

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UNRESTRICTED	2016-17 Estimated Actuals	2016-2017 Unaudited Actuals	Increase / (Decrease)	Percentage
<i>OTHER FINANCING SOURCES</i>				
Transfers In	1,428,363	1,436,606	8,243	0.00%
Other Sources/Uses	0	0	0	0.00%
Contributions	-3,924,414	-3,865,589	-58,825	1.50%
Transfers Out and Other Uses	1,518,363	1,508,347	-10,016	-0.66%
TOTAL - OTHER FINANCING	-\$4,014,414	-\$3,937,330	\$77,084	-1.92%

UNAUDITED ACTUALS VARIANCES OTHER FINANCING SOURCES (UNRESTRICTED)

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1. Transfers In \$8,243

- ▶ Increase in the transfer of developer fee revenue.
- ▶ The district can transfer in 3% of developer fee revenue received.

2. Contributions \$58,825

- ▶ Decrease in the contributions to special education.

3. Transfer Out \$10,016

- ▶ Decrease the support to food service program.

UNAUDITED ACTUALS VARIANCES GENERAL FUND REVENUES (RESTRICTED)

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RESTRICTED	2016-17 Estimated Actuals	2016-2017 Unaudited Actuals	Increase / (Decrease)	Percentage
<i>BEGINNING FUND BALANCE</i>	\$1,444,258	\$1,444,258	\$0	0.00%
<i>REVENUE</i>				
LCFF Sources/Property Taxes	\$798,903	\$750,121	-48,782	-6.11%
Federal Revenues	642,874	637,080	-5,794	-0.90%
Other State Revenue	1,697,172	1,587,330	-109,842	-6.47%
Other Local Revenue	2,014,793	1,921,745	-93,048	-4.62%
<i>TOTAL REVENUE</i>	\$5,153,742	\$4,896,276	-\$257,466	-5.00%

UNAUDITED ACTUALS VARIANCES - HIGHLIGHTS GENERAL FUND REVENUES (RESTRICTED)

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1. Property Tax Sources \$48,782

- ▶ The Special Education Local Plan area (SELPA) revenue was less than the latest estimate from County Office of Education (COE)

2. State Revenue \$109,842

- ▶ Decrease is mainly from Governmental Accounting Standards Board (GASB) 68; an accounting calculation required of the district to recognize its share of pension liability based upon creditable earnings.

3. Local Revenue \$93,048

- ▶ Decrease is from only recognizing revenue only when it is expended.

UNAUDITED ACTUALS VARIANCES GENERAL FUND EXPENDITURES (RESTRICTED)

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RESTRICTED	2016-17 Estimated Actuals	2016-2017 Unaudited Actuals	Increase / (Decrease)	Percentage
<i>BEGINNING FUND BALANCE</i>	\$1,444,258	\$1,444,258	\$0	0.00%
<i>EXPENDITURES</i>				
Certificated Salaries	2,479,024	2,497,343	18,319	0.74%
Classified Salaries	1,380,900	1,367,560	-13,340	-0.97%
Employee Benefits	2,549,406	2,415,806	-133,600	-5.24%
Books and Supplies	817,628	687,006	-130,622	-15.98%
Services, Operating Expenses	1,693,104	1,571,556	-121,548	-7.18%
Capital Outlay	9,660	7,249	-2,411	-24.96%
Other Outgo	208,640	186,932	-21,708	-10.40%
Direct Support/Indirect Costs	1,252	1,213	-39	-3.12%
<i>TOTAL EXPENDITURES</i>	\$9,139,614	\$8,734,664	-\$404,950	-4.43%

UNAUDITED ACTUALS VARIANCES - DETAILS GENERAL FUND EXPENDITURES (RESTRICTED)

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1. Employee Benefits \$133,600

- ▶ Decrease is mainly from Governmental Accounting Standards Board (GASB) 68; an accounting calculation required of the district to recognize its share of pension liability based upon creditable earnings.

2. Books & Supplies \$130,622

- ▶ Decrease is mainly from unspent lottery funds

3. Operating Expenses \$121,548

- ▶ Decrease is mainly from unspent grants

MULTI- YEAR PROJECTION FOR 2017-2020

CURRENT YEAR PLUS 3 YEAR PROJECTIONS

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Los Gatos USD - Multi Year Projection

Unrestricted	FY 16-17	FY 17-18	FY 18-19	FY 19-20
LCFF Sources/Property Tax	\$25,520,769	\$26,884,785	\$28,089,150	\$29,367,382
Federal Revenues				
Other State Revenues	\$1,275,093	\$564,000	\$553,640	\$547,448
Other Local Revenues	\$5,072,692	\$4,987,254	\$5,076,922	\$5,128,403
Transfers In	\$1,436,606	\$811,922		
Contributions	-\$3,865,590	-\$4,177,004	-\$4,333,557	-\$4,506,627
Total Revenues	\$29,439,570	\$29,070,957	\$29,386,155	\$30,536,606
Expenditures				
Certificated Salaries	16,337,486	16,669,480	16,919,522	17,173,314
Classified Salaries	3,038,284	3,245,173	3,293,850	3,343,257
Employee Benefits	5,521,784	5,963,977	6,156,899	6,676,951
Books and Supplies	616,983	807,005	614,350	900,000
Services, Other Operating Expenses	2,586,201	2,276,308	2,304,308	2,411,916
Capital Outlay	5,000	10,000	10,000	10,000
Other Financial Uses	-1,213	-1,165	-1,165	-1,165
Transfers Out	1,508,347	95,000	100,000	110,000
Total Expenditures	\$29,612,873	\$29,065,778	\$29,397,764	\$30,624,273
Revenue Over (Under) Expenditures	-\$173,303	\$5,179	-\$11,610	-\$87,667
Beginning Fund Balance	\$6,595,782	\$6,422,479	\$6,427,658	\$6,416,049
Ending Balance, June 30	\$6,422,479	\$6,427,658	\$6,416,049	\$6,328,382
Reserve Percentage	16.64%	17.22%	17.02%	16.19%

BUDGET ASSUMPTIONS for 2017-2018

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The multi-year projection is required of districts to show that districts are able to meet their financial obligations and remain fiscally solvent per Assembly Bill 1200.

- ▶ Property Tax: 5.5% growth for secured rolls
- ▶ Lottery: \$189 per Average Daily Attendance (ADA)
- ▶ Mandated Block Grant \$28 per ADA
- ▶ Step & Column: 1.5%
- ▶ LGEF Grants: \$510K
- ▶ HSC Personnel Grants: \$315K
- ▶ Salary enhancement: 3%
- ▶ Education Protection Act (EPA) Funds: \$640K
- ▶ Staffing: Reduction of 6 FTE due to declining enrollment

BUDGET ASSUMPTIONS for 2018-2019

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- Property Tax: 5.0% growth for secured rolls
- Lottery: \$189 per Average Daily Attendance (ADA)
- Mandated Block Grant \$28 per ADA
- Step & Column: 1.5%
- LGEF Grants: \$810K
- HSC Personnel Grants: Assumed by district and/or LGEF
- Salary enhancement: Not Included
- Education Protection Act (EPA) Funds: \$640K
- Staffing: Based upon enrollment

BUDGET ASSUMPTIONS for 2019-2020

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- Property Tax: 5.0% growth for secured rolls
- Lottery: \$189 per Average Daily Attendance (ADA)
- Mandated Block Grant \$28 per ADA
- Step & Column: 1.5%
- LGEF Grants: \$810K
- HSC Personnel Grants: Assumed by district and/or LGEF
- Salary enhancement: Not Included
- Education Protection Act (EPA) Funds: \$640K
- Staffing: Based upon enrollment

RETIREMENT EMPLOYER RATES

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- ▶ California Public Employees' Retirement System (CalPERS)
- ▶ California State Teachers' Retirement System (CalSTRS)

Employer rates				
	FY 16/17	FY 17/18	FY 18/19	FY 19/20
PERS	13.888%	15.531%	18.100%	20.800%
STRS	12.58%	14.43%	16.28%	18.13%

SPECIAL REVENUE FUNDS

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Special Revenue Funds	Cafeteria Fund 13	Deferred Maintenance Fund 14	Retiree Benefit Fund 71
BEGINNING FUND BALANCE	\$18,589	\$833,834	\$1,497,062
Revenue	\$582,298	\$11,048	\$178,624
Expenditures	\$662,282	\$127,972	\$2,333
Revenue Over (Under) Expenses	-\$79,984	-\$116,924	\$176,291
Transfers In (Out)	\$79,984	\$650,000	\$0
ENDING FUND BALANCE	\$18,589	\$1,366,910	\$1,673,353

SPECIAL REVENUE FUNDS- HIGHLIGHTS

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► **Special Revenue Funds**

- **Fund 13 - Cafeteria Fund** is used to operate the food service program
 - Expenses exceeded revenue by \$79,984 requiring financial support from the general fund
- **Fund 14 - Deferred Maintenance Fund** is used to account separately for deferred maintenance projects.
 - The district office roof was renovated in Fiscal Year 2016-17
- **Fund 71 - Retiree Benefit Fund** was established in FY 2010 for Other Post-Employment Benefits (OPEB). Currently there are 144 employees who qualify for OPEB and as of July 1, 2016 the OPEB liability was 6.3M
 - The fund had a net return on investment of \$173,958

SPECIAL RESERVE FUND

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Special Reserve Non-Capital Outlay	Fund 17
BEGINNING FUND BALANCE	\$ 2,226,285
Revenue	\$12,296
Expenditures	\$0
Revenue Over (Under) Expenses	\$12,296
Transfers In (Out)	-\$1,428,363
ENDING FUND BALANCE	\$810,218

SPECIAL RESERVE FUND - HIGHLIGHTS

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- ▶ **Fund 17** - Special reserve for non-capital outlay established to offset salary enhancements and anticipated increases to both the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS)
 - ▶ Board approved \$1.4M transfer to the Fund 40 – Capital Outlay Fund for Fisher Fields
 - ▶ Board approved \$810,218 transfer to the General Fund for salary enhancements and pension increases at budget adoption for fiscal year 2017-18

CAPITAL FUNDS

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	Capital Facilities Fund 25	Special Reserve Capital Outlay Fund 40
BEGINNING FUND BALANCE	\$1,772	\$4,735,875
Revenue	\$276,506	\$53,672
Expenditures	\$228,785	\$944,252
Revenue Over (Under) Expenses	\$47,721	-\$890,580
Transfers In (Out)	-\$8,243	\$1,428,363
ENDING FUND BALANCE	\$41,250	\$5,273,658

CAPITAL FUNDS - HIGHLIGHTS

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➤ Capital Funds

- **Fund 25** - Capital Facilities Fund is for the collection of fees levied on developers
 - Revenue collected - \$276,506
 - Expenditures allocated to Fisher Gym - \$228,785
- **Fund 40** – Special Reserve for Capital Outlay Projects
 - Expenditures allocated to Fisher Gym - \$614,252
 - Expenditure allocated to Fisher Fields - \$330,000

NEXT STEPS

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- Staff recommends the approval Unaudited Actuals for fiscal year 2016-17 as presented