

DIXIE SCHOOL DISTRICT
Business Services Administration

Regular Meeting
September 13, 2016

TO: Thomas J. Lohwasser, Superintendent

SUBJECT: Consideration and Approval of the Unaudited Actuals Financial Report, F/Y
2015-16

Unaudited Actuals represent the final 2015-16 fiscal year financial information for the Dixie School District. The information is reported in the required state SACS report. The audit team from Christy White and Associates will be here during the week of September 12, 2016 to conduct the final phase of the audit. A draft copy of the audited financial information will be presented to the Board of Trustees for approval in January 2017.

Attached is a full copy of the district's SACS report of the Unaudited Actuals report for 2015-16 as well as attachments for various supporting documents. The Business Manager will present a PowerPoint presentation to the Board of Trustees focusing on key aspects of report.

Over the past few years, projections presented at Budget Adoption in June indicated a large General fund deficit but the final numbers came in much less than projected. Starting in 2014-15 we changed the accounting on how we handled prior year carryovers. This change resulted in the projected ending fund balance coming in closer to what the actual ending fund balance would be. In June 2016, the District was projecting a decrease or deficit in the 2015-16 General Fund reserve of -\$14,520. The final numbers now indicate a net increase or surplus in the General Fund reserve of \$227,734. This was the first time since 2009-10 that the district closed with a surplus. Overall, General Fund revenues increased by +14.1% from the prior year while expenditures increased by +7.5% from prior year. The increase in revenues was mainly due to an increase in LCFF GAP funding, one-time mandated cost revenues received and STRS On-Behalf accounting.

While we can celebrate closing the books with a surplus in the General Fund, it is important to keep in mind that new revenues from GAP funding increases will be less as we move closer to being fully funded under LCFF and one-time revenues are not an on-going source. In addition once fully funded new LCFF revenues will be driven strictly by COLA. Without the \$1,022,123 in one-time revenues, the District would have continued the trend of deficit spending in 2015-16. Even with the surplus of \$227,734 the Reserve for Economic Uncertainties is only 5.09% which is still below the 10% specified in the District's reserve policy.

During the state budget crisis that started in 2010-11 every school district in the state experienced severe budget cuts.. Dixie School District received cuts of over \$1 million a year in state funding. While we made some initial budget reductions we felt very strongly about continuing the good work that we were doing for our children. As such we made a decision not to make major cuts to programs and do massive lay-offs of staff that other school districts were doing to survive the budget crisis. Fortunately, at that time we had sufficient reserves that we could spend down to avoid cutting programs and laying-off staff. Our experience over the past

several years has showed the importance of having a healthy reserve level. As such the short term and long term fiscal solvency of the District depends on restoring and maintaining the General Fund reserve levels to that specified in the District's reserve policy and working to eliminate the structural budget deficits that have occurred over the last several years. In June 2016, the Board of Trustees recommended reestablishing the Superintendent's Budget Committee. The District will be making recommendations to the Board in October on the makeup and charge of this committee

Below is a summary of key areas of the 2015-16 financial information:

General Fund Revenues: \$22,758,799

Overall General Fund revenues increased by +\$2,810,115 or +14.1% from prior year

Below is the total by major object categories and in parenthesis percentage change from the prior year:

- Total LCFF \$14,365,087 (+9.7%)
- Total Federal Revenues \$634,176 (-1.3 %.)
- State Revenues: \$2,433,235 (+225%)
- Local Revenues: \$4,327,137 (-1.9%)
- Transfer In: \$999,164 (-4.8%)

General Fund Expenditures: \$22,531,064

Overall combined general fund expenditures increased by \$1,565,367 or +7.5% when compared to prior year.

Below is the total by major object categories and in parenthesis percentage change from the prior year:

- Certificated Salaries: \$ 10,409,313 (+4.4%)
- Classified Salaries: \$3,787,102 (+0.9%)
- Employee Benefits (salary driven benefits and health benefits costs): \$4,288,063 (+22.2%)
 - Please see note on STRS On-Behalf
- Books and Supplies categories: \$718,977 (-14.7%)
- Services & Operating Expenditures categories: \$2,291,227 (+4.9%)
- Capital Outlay: \$309,414 (+396%)
- Other Outgo: \$726,968 (+14.1%)

Transfer In: Transfers-In from Fund 40 totaled \$999,164. This included the annual transfer of \$873,449; plus additional transfers of \$50,000 to fund 2013-14 salary increase; and \$75,000 to fund 2014-15 salary increase.

Special Education: Special Education costs continue to be a significant and on-going concern for the District. It is well known the Special Education is wholly unfunded by the Federal and State government and it is extremely difficult to control costs while meeting the needs of the student.

In 2015-16, costs for all programs increased by \$193,385 or +5.3% from prior year. AB602 expenditures increased by \$176,969 or +7.2% and Excess Cost increased by \$73,745 or +22.3% from prior year. The General fund contribution for all special education programs increased by \$358,458 when compared to prior year. Part of that increase can be attributed to the District no longer receiving NPS/LCI Impact revenues.

Attached is a History of Special Education Expenses and Contributions.

STRS Impact: In 2014 Governor Brown successfully passed legislation to fund the State Teacher Retirement System (STRS) liability by annually increasing the employer and employee contributions to the program. For the employer portion the rate increased by .63% in 2014-15 and another 1.85% in 2015-16. It is scheduled to increase 1.85% annually until 2020-21. For 2015-16 the change in STRS rate resulted in \$184,439 in additional cost to the District.

STRS On-Behalf: STRS On-Behalf: This was new in 2014-15 due to GASB 68 which required the District to include the estimated share of the statewide STRS liability on our books and report this on our financial statements. These entries are recorded as State Revenues and as expenditures in the Employee Benefit categories (STRS cost) in our books. The result will be a substantial increase to both categories but will net to zero and not impact the fund balance.

In 2014-15 the incorrect amount of \$40,434 was identified and booked in the unaudited actuals. The auditors corrected the amount to \$488,475 for the financial reports. The STRS On-Behalf total for 2015-16 is \$639,066. Overall State revenues increased by \$1,683,840 from prior year with \$598,632 of the increase from the STRS On-Behalf entries. When considering this adjustment the actual STRS On-Behalf increase from prior year was \$150,591.

Reserve Level:

As noted above, this was the first time since 2009-10 that the District closed the year with a surplus in the General Fund. Prior to this the District had deficit spending over the last five year. It was also noted that in 2015-16 the District received \$1,022,123 in one-time mandated cost revenues and without these revenues the District would have continued the trend of deficit spending in 2015-16. Even with the surplus of \$227,734 the Reserve for Economic Uncertainties will only be at 5.09% which is still below the 10% specified in the District's reserve policy.

Ending balance: The ending fund balance for the General Fund is \$2,119,619. This includes both unrestricted and restricted dollars.

Components of the Ending Balance include:

- Revolving Cash \$ 3,000
- Restricted Reserves: \$ 543,722
- Unrestricted/Designated Carryovers \$ 426,593
- Reserve for Economic Uncertainties: \$1,146,303
 - The Reserve of Economic Uncertainties is 5.09% which continues to be below the

board designated level.

Unrestricted/Designated and Restricted Carryovers totaled \$970,316. The District historically posts carryover and deferred revenue to the budget after the Board of Trustees has approved the Unaudited Actuals. A budget revision reflecting the posting of these carryovers and deferred revenues will be presented to the board in the near future.

Attached is a recap of Ending Balances for all district funds, as well as graphs for Combined General Fund Revenues/Expenditures; 3 Year Comparison of General Fund Revenues Expenditures; 5 year comparison of Parcel Tax Revenues and 2015-16 Parcel Tax expenditures and spreadsheets for a Summary of Contributions/General Fund Transfers, a Summary of Deferred Revenues/Carryover and a History of Special Education and Contributions.

Certification and approval of the Unaudited Actuals Financial Report for F/Y 2015-16 is recommended.

Prepared by:

Robert A. Marical
Business Manager

Approved for Submission to the Governing
Board by:

Thomas J. Lohwasser, Ed.D.
Superintendent

Recap of Ending Fund Balances:

(01) General Fund:	
Unrestricted	\$ 1,575,896.33
Restricted	\$ 543,722.32
(14) Deferred Maintenance	\$ 113,934.01
(21) Building Fund	\$11,191,326.80
(22) Building Fund	\$ 102,808.12
(25) Capital Facilities (Developer Fees)	\$ 124,801.76
(40) Special Reserve (Lease Fund)	\$ 848,443.87
(41) Special Reserve (Solar)	\$ 176,873.03
(51) Bond Interest/Redemption (County Controlled Fund)	\$ 2,578,867.77
(56) Debt Service Fund (CREBS-Solar)	\$ 187,308.40
(67) Self-Insurance Fund (GASB 45 Liability)	\$ 239,995.12